

**MARKET STUDY**

**Huntington Beach  
Downtown Specific Plan**

**July 23, 2008**

**Submitted to:**

**RRM Design Group, for the City of Huntington Beach**

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## TABLE OF CONTENTS

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<b>I. INTRODUCTION .....</b>	<b>1</b>
<b>II. EXECUTIVE SUMMARY .....</b>	<b>2</b>
Retail/Restaurant Development .....	3
Office Development .....	5
Residential Development .....	6
<b>III. MARKET FACTORS AND OTHER STRATEGIC ISSUES AFFECTING DOWNTOWN'S DEVELOPMENT OPTIONS .....</b>	<b>7</b>
Downtown Demographic Analysis .....	7
Commercial Real Estate Pricing .....	13
Summary of Key Strategic Issues from Huntington Beach Draft Strategic Plan and RRM's Stakeholder Interviews.....	15
Discussion of Strategic Priorities .....	16
Potential Future Development Scenarios .....	18
<b>IV. RETAIL ANALYSIS.....</b>	<b>22</b>
Resident Market Areas .....	22
Potential Art Gallery Demand .....	35
<b>V. OFFICE DEMAND ANALYSIS.....</b>	<b>36</b>
Employment Projection Analysis.....	36
Overview of Forecasting Methodology.....	38
<b>VI. RESIDENTIAL DEMAND ANALYSIS .....</b>	<b>42</b>
Downtown Housing Stock .....	42
Projected Demand .....	45
Demand for "Urban Living" Residential Products.....	46
<b>VII. REVIEW OF DEMAND FOR HOTELS AND BED &amp; BREAKFASTS .....</b>	<b>48</b>
<b>VIII. FINANCIAL FEASIBILITY ANALYSIS .....</b>	<b>50</b>
 <b>APPENDIX A: RETAIL DEMAND MODEL (AGGRESSIVE MARKET SHARE SCENARIO)</b>	
<b>APPENDIX B: ESTIMATE OF CURRENT "LEAKAGE" OF CITYWIDE RESIDENT RETAIL DEMAND</b>	
<b>APPENDIX C: REDEVELOPMENT PROTOTYPES</b>	

## LIST OF TABLES

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Table II-1: Summary of Demand for Downtown Land Uses Downtown Huntington Beach.....	2
Table II-2: Breakdown of Supportable Retail Space by Resident and Visitor Components CONSERVATIVE SCENARIO Downtown Huntington Beach Retail Trade Area Expressed in Sales/Square Feet.....	4
Table II-3: Breakdown of Supportable Retail Space by Resident and Visitor Components AGGRESSIVE SCENARIO Downtown Huntington Beach Retail Trade Area Expressed in Sales/Square Feet.....	5
Table III-1: Regional Demographic Comparison.....	7
Table III-2: Lower Income Census Block Groups .....	8
Table IV-1: Projected Number of Households Downtown Huntington Beach Trade Area .....	23
Table IV-2: Average Household Income Projections Downtown Huntington Beach Retail Trade Area In 2007 Constant Dollars .....	23
Table IV-3: Total Income and Potential Retail Sales Projections Downtown Huntington Beach Retail Trade Area In Thousands of 2007 Dollars .....	24
Table IV-4: Distribution of Retail Sales by Retail Category Based on Orange County Distribution Downtown Huntington Beach Retail Trade Area.....	25
Table IV-5: Projected PMA Demand for Retail Sales by Major Retail Category Downtown Huntington Beach Retail Trade Area In Thousands of 2007 Dollars .....	26
Table IV-6: Projected SMA Demand for Retail Sales by Major Retail Category Downtown Huntington Beach Retail Trade Area In Thousands of 2007 Dollars .....	27
Table IV-7: Potential Capture Rates of PMA Demand Downtown Huntington Beach.....	28
Table IV-8: Potential Capture Rates of SMA Demand Downtown Huntington Beach.....	28
Table IV-9: Potential Capture of Sales from PMA Downtown Huntington Beach In Thousands of 2007 Dollars.....	29
Table IV-10: Potential Capture of Sales from SMA Downtown Huntington Beach In Thousands of 2007 Dollars.....	29
Table IV-11: Potential Capture of Sales from Combined Resident Market Areas Downtown Huntington Beach In Thousands of 2007 Dollars .....	30
Table IV-12: Projected Growth in Visitor Retail/Restaurant Expenditures (Overnight & Day Visitors) Orange County In Thousands of 2007 Dollars .....	30
Table IV-13: Projected Capture of Orange County Visitor Expenditures Downtown Huntington Beach In Thousands of 2007 Dollars.....	31
Table IV-14: Total Potential Sales (Resident and Visitor Demand Combined) Downtown Huntington Beach In Thousands of 2007 Dollars .....	32
Table IV-15: Comparison of Potential Demand with Estimated Existing Sales Downtown Huntington Beach.....	33
Table IV-16: Net Supportable Retail Sales Downtown Huntington Beach Retail Trade Area In Thousands of 2007 Dollars.....	34
Table IV-17: Net Supportable Retail Space for Relevant Categories Downtown Huntington Beach Retail Trade Area Expressed in Sales/Square Feet.....	34

Table IV-18: Breakdown of Supportable Retail Space by Resident and Visitor Components Downtown Huntington Beach Retail Trade Area Expressed in Sales/Square Feet.....	35
Table V-1: Projected Employment by Industry (as a % of total jobs) Orange County .....	37
Table V-2: Orange County and DSA* Employment Comparison.....	37
Table V-3: Office Employment Comparison.....	37
Table V-4: Employment Projections – Orange County .....	39
Table V-5: Allocation of Employment – Huntington Beach .....	39
Table V-6: Projected Employment by Land Use Category .....	40
Table V-7: Projected Cumulative Change in Employment.....	40
Table V-8: Cumulative Office Space Demand in Square Feet .....	41
Table VI-1: Comparative Housing Analysis .....	42
Table VI-2: Residential Building Permits, 2000-2007 Orange County and Selected Cities Single-Family and Multifamily Units.....	43
Table VI-3: Projected Demand for Downtown Housing under Three Scenarios .....	47
Table VII-1: Theoretical Demand for New Hotel Development City of Huntington Beach: 2008-2030 .....	49
Table VIII-1: Summary of Financial Feasibility Analysis Redevelopment Prototypes Downtown Huntington Beach Specific Plan.....	52

## LIST OF FIGURES

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Figure III-1: Lower Income Census Block Groups .....	8
Figure III-2: Percentage of Householders Under 35 (2000).....	10
Figure III-3: Median Household Income (1999) .....	11
Figure III-4: Per Capita Income (1999) .....	12
Figure III-5: Sample of commercial real estate listings in Huntington Beach .....	14

## I. INTRODUCTION

This report, prepared by The Natelson Dale Group, Inc. (TNDG), analyzes market demand for a range of land uses that could potentially be developed within the Huntington Beach Downtown Specific Plan area. The report projects demand through the year 2025 for the following core land use categories:

- Retail/restaurant;
- Office;
- Residential.

The report also includes supplemental analysis of the following specialized land uses:

- Live-work residential units (e.g., artists' lofts);
- Potential components of an expanded downtown "cultural center", including art galleries and an "art house" movie theater; and
- Smaller-scale, specialized hospitality development such as "bed and breakfast" facilities<sup>1</sup>.

Given that this analysis is being completed as part of a long-term planning process, the study methodology is somewhat different from the approach TNDG would take when analyzing the near-term feasibility of a specific development project. Whereas the success of an individual development project is largely dependent on market conditions as they exist at the time the project is developed, a strategic planning process is explicitly about changing existing conditions such that future market performance will surpass "baseline" trends. Thus, within the context of a planning process, it is appropriate to consider relatively aggressive (but still reasonable) assumptions. In this regard, the numbers provided in this report should be interpreted as "potentials" (i.e., what could happen based on proactive implementation of the Specific Plan) rather than definitive "forecasts" (i.e., what is expected to happen based on historic market trends).

For both the "core" and the "specialized" land uses, the report provides an evaluation of the opportunities that may exist and general strategic recommendations based on the study findings. The strategic recommendations will be more fully developed in a separate document (the Implementation chapter of the Specific Plan).

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<sup>1</sup> Consistent with the City's direction at the outset of this assignment, it is assumed that the three large hotel projects currently planned or under construction in the downtown (The Strand, Pacific City and the additional Hilton tower) will absorb foreseeable demand for major hotel/resort development. Thus, this analysis does not comprehensively evaluate future demand for major hotel facilities. However, Chapter VII provides a general evaluation of potential hotel demand based on historic absorption trends within the larger Orange County region. These general demand forecasts provide the basis for quantifying opportunities for more specialized types of development (e.g., B&B facilities) that can take advantage of the increased visitor activity associated with the three planned hotels.

## II. EXECUTIVE SUMMARY

Table II-1 below provides a summary of the demand forecasts for the commercial land use categories evaluated in this analysis. A summary discussion for each land use follows, including a review of potential residential demand.

**Table II-1:**  
**Summary of Demand for Downtown Land Uses**  
**Downtown Huntington Beach**

	Cumulative Demand by:			
	2012		2025	
	Low	High	Low	High
<b>Office Space:</b>				
Gross Demand (square feet)	185,750	234,643	263,697	390,537
Planned Projects *	145,126	145,126	145,126	145,126
Net Demand	40,624	89,517	108,814	225,897
<b>Restaurants:</b>				
Gross Demand (square feet)	110,680	113,644	184,214	200,261
Planned Projects *	108,431	108,431	108,431	108,431
Net Demand	2,249	5,213	75,783	91,830
<b>Other Retail:</b>				
Gross Demand (square feet)	355,800	477,689	453,294	610,806
Planned Projects *	222,036	222,036	222,036	222,036
Net Demand	133,764	255,653	231,258	388,770
<b>Bed &amp; Breakfast Rooms</b>				
Gross Demand (rooms)	27	40	101	151
* Includes Strand, Pacific City and Pierside Pavillion				
Source: The Natelson Dale Group, Inc. (TNDG)				

## **Retail/Restaurant Development**

TNDG's retail demand analysis considers two major sources of market support for future retail facilities in the downtown area:

- Huntington Beach (and surrounding area) residents, with a particular focus on residents of the immediate downtown vicinity who might utilize downtown facilities for daily shopping needs; and
- Tourists, including both hotel guests and regional day visitors.

Key findings from the retail/restaurant demand analysis are summarized as follows:

- Despite significant new retail development in recent years (most notably the Bella Terra project), Huntington Beach still loses a significant portion of its resident retail demand to major shopping facilities in surrounding cities. For the types of “shopper goods” typically found in regional shopping centers (i.e., Apparel, General Merchandise, Furniture, Specialty Stores and Restaurants), TNDG estimates that Huntington Beach currently captures only about 65% of its resident demand.<sup>2</sup>
- Although this “leakage” of resident demand is to some extent offset by tourist/visitor spending, the amount of “imported” spending is relatively modest as a percentage of total retail activity in the City. TNDG estimates that visitor expenditures currently total approximately \$130 million per year. This amounts to approximately 5% of the City's total retail sales of approximately \$2.5 billion annually. If non-visitor oriented categories such as Building Materials and Automobile sales are excluded from the calculation, visitor expenditures amount to an estimated 8% of the total. In any event, TNDG believes that there is substantial potential to expand the City's capture of visitor expenditures. The pending development of three new major hotels in the Downtown will significantly enhance this potential.
- Over the 17-year planning horizon (through 2025), TNDG projects that the Downtown Specific Plan area can capture 640,000 to 810,000 square feet of new retail/restaurant space. This range reflects the “conservative” and “aggressive” projection scenarios considered in the analysis (as described in Chapter IV and Appendix A of the report). Table II-2 and Table II-3 on the following page shows the breakdown of these totals by major retail category, and also indicates the approximate portions of demand that would be derived from residents versus visitors.
- There is unlikely to be demand for a traditional or “art house” movie theater in the downtown in the foreseeable future. According to the operator of the Pierside Pavilion (where the former movie theater space is currently being converted to

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<sup>2</sup> See Technical Appendix B for the derivation of this leakage estimate.

other commercial uses), the competitive pressures from the Century 20 theater at the Bella Terra shopping center will effectively preclude development of a movie theater in the downtown area (see further discussion in Section III, page 20).

- Based on findings of the retail demand analysis, TNDG estimates that the downtown area could support approximately 2,000 to 3,000 square feet of art gallery space by 2012, with this amount increasing to approximately 3,000 to 4,000 square feet by 2025.

**Table II-2:**  
**Breakdown of Supportable Retail Space by Resident and Visitor Components**  
**CONSERVATIVE SCENARIO**  
**Downtown Huntington Beach Retail Trade Area**  
**Expressed in Sales/Square Feet**

Retail Category	Net Demand in 2012			Net Demand in 2025		
	Resident Supported	Visitor Supported	Total	Resident Supported	Visitor Supported	Total
Apparel	13,765	46,056	59,821	18,838	75,269	94,107
General Merchandise (drug store)	11,988	10,351	22,339	13,644	13,390	27,033
Furniture/Appliances	16,087	-	16,087	17,426	-	17,426
Specialty/Other	75,974	36,664	112,638	86,153	49,647	135,801
Food Stores	70,057	11,247	81,305	77,394	14,600	91,993
Eating/Drinking	43,084	67,596	110,680	64,117	120,097	184,214
Services Space	23,096	17,191	40,287	27,757	27,300	55,057
Allowance for standard vacancy	13,371	9,953	23,324	16,070	15,805	31,875
<b>GRAND TOTAL</b>	<b>267,422</b>	<b>199,058</b>	<b>466,480</b>	<b>321,400</b>	<b>316,108</b>	<b>637,508</b>
Source: TNDG						



**Table II-3:**  
**Breakdown of Supportable Retail Space by Resident and Visitor Components**  
**AGGRESSIVE SCENARIO**  
**Downtown Huntington Beach Retail Trade Area**  
**Expressed in Sales/Square Feet**

Retail Category	Net Demand in 2012			Net Demand in 2025		
	Resident Supported	Visitor Supported	Total	Resident Supported	Visitor Supported	Total
Apparel	26,578	64,650	91,228	34,296	106,729	141,024
General Merchandise (drug store)	11,988	11,668	23,656	13,644	16,084	29,728
Furniture/Appliances	24,942	-	24,942	26,875	-	26,875
Specialty/Other	130,019	45,616	175,635	144,394	64,811	209,205
Food Stores	70,065	11,527	81,591	77,424	15,949	93,373
Eating/Drinking	43,579	70,065	113,644	65,758	134,503	200,261
Services Space	30,717	20,353	51,070	36,239	33,808	70,047
Allowance for standard vacancy	17,784	11,783	29,567	20,981	19,573	40,553
<b>GRAND TOTAL</b>	<b>355,672</b>	<b>235,661</b>	<b>591,333</b>	<b>419,610</b>	<b>391,456</b>	<b>811,067</b>

Source: TNDG

The Strand, Pacific City, and Pierside Pavillion projects currently under construction in the Downtown will have a combined total of 330,000 square feet of retail/restaurant space. Thus, these three projects will absorb an estimated 56-71% of the demand for new retail space through 2012.

### **Office Development**

TNDG's office analysis, as summarized in Chapter V of this report, takes a relatively aggressive approach to estimating demand. The estimates are, however, based on reasonable factors such as the officially projected employment growth in Orange County. The estimates also assume a "re-positioning" of the Downtown office market, in which the concept of attracting "knowledge" workers is fully developed, as discussed in the main body of the report. Although the Downtown currently has several successful mixed-use developments that include office facilities, it does not currently have any buildings categorized as "Class A" office space. As such, the Downtown is not currently a regionally recognized office center.

TNDG's office demand projections are summarized as follows:

- Future demand for new office space through 2025 is projected to range between 263,700 and 390,500 square feet, reflecting the "low" and "high" projection scenarios.

- The Pacific City, Strand, and Pierside Pavilion projects currently under construction in the Downtown will ultimately include up to 145,000 square feet of office development (31,542 square feet at Pacific City, 23,584 square feet at The Strand, and 90,000 at Pierside Pavilion). After accounting for the office space in these three projects, net demand for additional office space by 2015 space ranges from 67,900 (low) to 144,000 (high) square feet.

## **Residential Development**

TNDG's housing demand analysis is provided in Chapter VI of this report and briefly summarized as follows:

- The “official” Southern California Association of Governments (SCAG) forecasts<sup>3</sup> for Huntington Beach in general and the Downtown area in particular indicate relatively limited residential growth in the future, reflecting the City's built out status. However, current development in and around the Downtown Specific Plan area reflects increasingly dense residential development. Thus, it is likely that the SCAG forecasts will be significantly exceeded.
- Whereas the SCAG forecasts call for approximately 800 new households in the four Census tracts near downtown through 2025, TNDG projects potential demand for approximately 1,000 to 1,700 new multi-family units. The Pacific City project will absorb approximately 500 units of this demand, leaving residual demand of 500 to 1,200 units for other projects.

The demand for urban-style living, in “loft” or other formats, has been increasing in many parts of the country over the last four years. A significant segment of the population has been willing to trade the suburban lifestyle and single-family home for higher density living in downtown environments with nearby cultural amenities. However, long-term projections for demand of this type of residential development are difficult, given the severe downturn in the residential real estate market. Illustrating the challenges in this market, it is currently difficult to obtain financing for any type of urban-style “for sale” residential project, according to knowledgeable developers contacted by TNDG. Notwithstanding the current market challenges, TNDG believes that the live/work loft format does hold long-term promise for the Downtown when the residential market rebounds.

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<sup>3</sup> These forecasts are from the 2008 Regional Transportation Plan (RTP), which was released in April 2008. The forecasts are provided at the Census Tract level of geography.

### III. MARKET FACTORS AND OTHER STRATEGIC ISSUES AFFECTING DOWNTOWN'S DEVELOPMENT OPTIONS

This chapter provides a general summary of market factors and other strategic issues affecting downtown's development options. It is organized under the following headings:

- Downtown Demographic Analysis
- Commercial Real Estate Pricing
- Summary of Key Issues from Huntington Beach Draft Strategic Plan and RRM's Stakeholder Interviews
- Preliminary Discussion of Strategic Priorities
- Potential Future Development Scenarios

#### **Downtown Demographic Analysis**

The demographic analysis focuses on the income and age characteristics of the population residing in and around the Downtown. To look into these demographic characteristics systematically, we selected a demographic study area (DSA) based roughly on a four-mile radius from the Downtown area.

#### ***Income and age characteristics***

Table III-1 below compares key income and age characteristics of the DSA to City- and County-level benchmarks.

**Table III-1: Regional Demographic Comparison**

	<b>Median Income</b>	<b>Per Capita Income</b>	<b>% Household Age Under 35</b>
Orange County	\$58,820	\$25,826	21.9%
Huntington Beach	\$64,824	\$31,964	22.7%
Demographic Study Area	\$33,776-\$141,993	\$20,301-\$61,963	23.3%

As noted on the table above, income levels within the DSA vary substantially by subarea (i.e., Census block group). The seven Census block groups in the lowest median income bracket (\$33,778-\$45,795) are identified in the map and table below. Of these, the block groups with the lowest median household income for 1999 (099246-2 and 099309-2) have a higher median age (41.2 and 38.5 respectively) compared to the City of Huntington Beach (36) and most of the Downtown Study Area. These block groups also have a slightly lower population to household ratio of 2.3 in relation to the DSA (2.4) and the City of Huntington Beach (2.5). On the other hand, block groups 099220-1, 099306-2 have median ages of 28.4 and 29.4, respectively, and are younger

than a majority of the DSA and the City of Huntington Beach, which has a median age of 36.

**Figure III-1: Lower Income Census Block Groups**



Source: U.S. Census Bureau (2000). *Summary 1 File (3)*

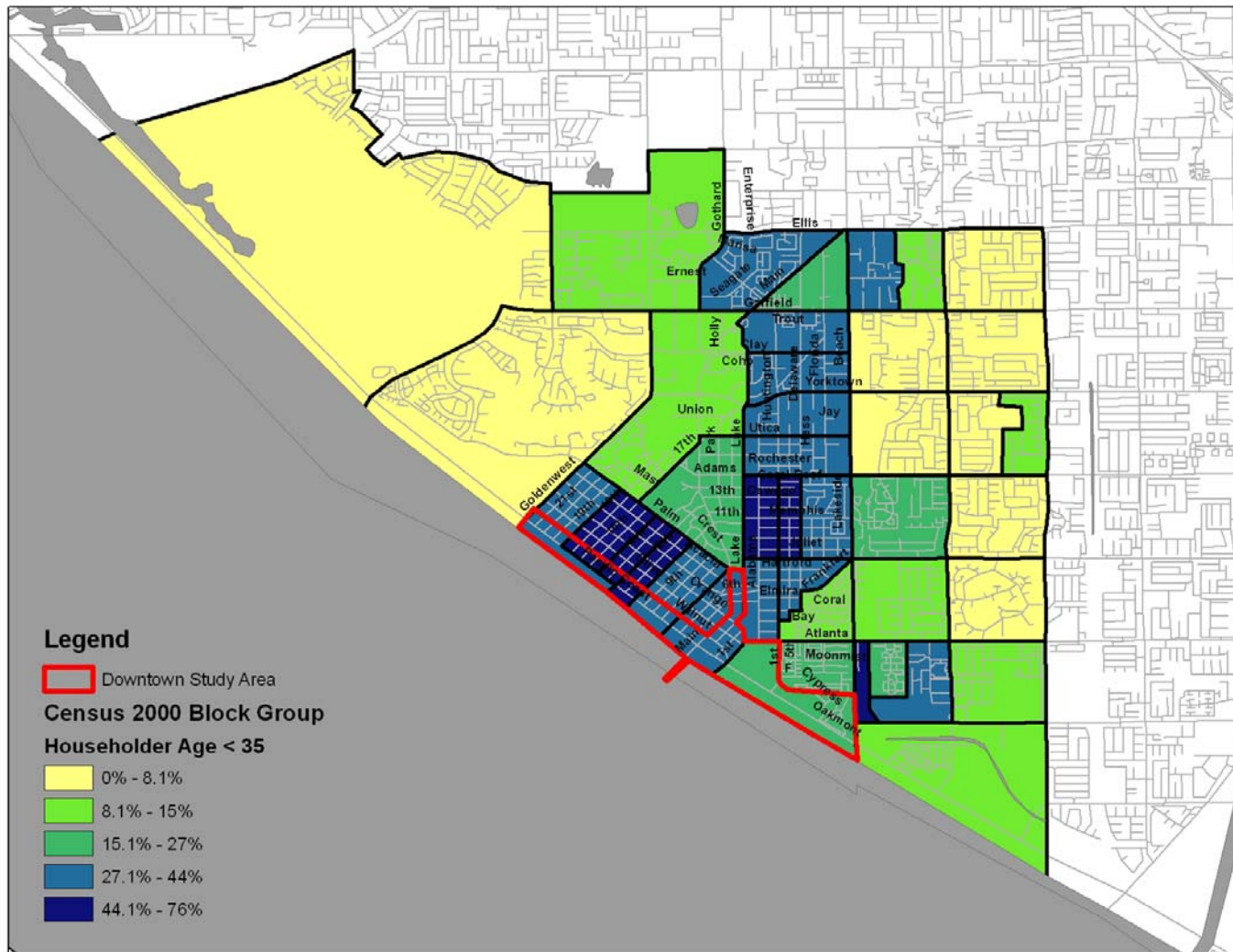
**Table III-2: Lower Income Census Block Groups**

Census Block Group	Population	Households	Pop/HH Ratio	Median Income	Income Per Capita	Median Age
099220-1	515	322	1.6	\$42,500	\$28,341	28.4
099220-2	826	386	2.1	\$45,795	\$27,757	36.1
099246-2	1,927	606	3.2	\$33,778	\$30,669	41.2
099306-2	1,219	511	2.4	\$45,458	\$26,583	29.4
099306-4	1,190	616	1.9	\$42,023	\$20,301	33.5
099307-2	1,364	678	2.0	\$42,438	\$26,376	40.5
099309-2	1,513	639	2.4	\$38,398	\$32,093	38.5
<b>Totals</b>	<b>8,554</b>	<b>3,758</b>	<b>2.3</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DSA Totals</b>	<b>65,539</b>	<b>27,363</b>	<b>2.4</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>City of Huntington Beach</b>	<b>189,940</b>	<b>75,793</b>	<b>2.5</b>	<b>\$64,824</b>	<b>\$31,964</b>	<b>36.0</b>

### ***Age of householders***

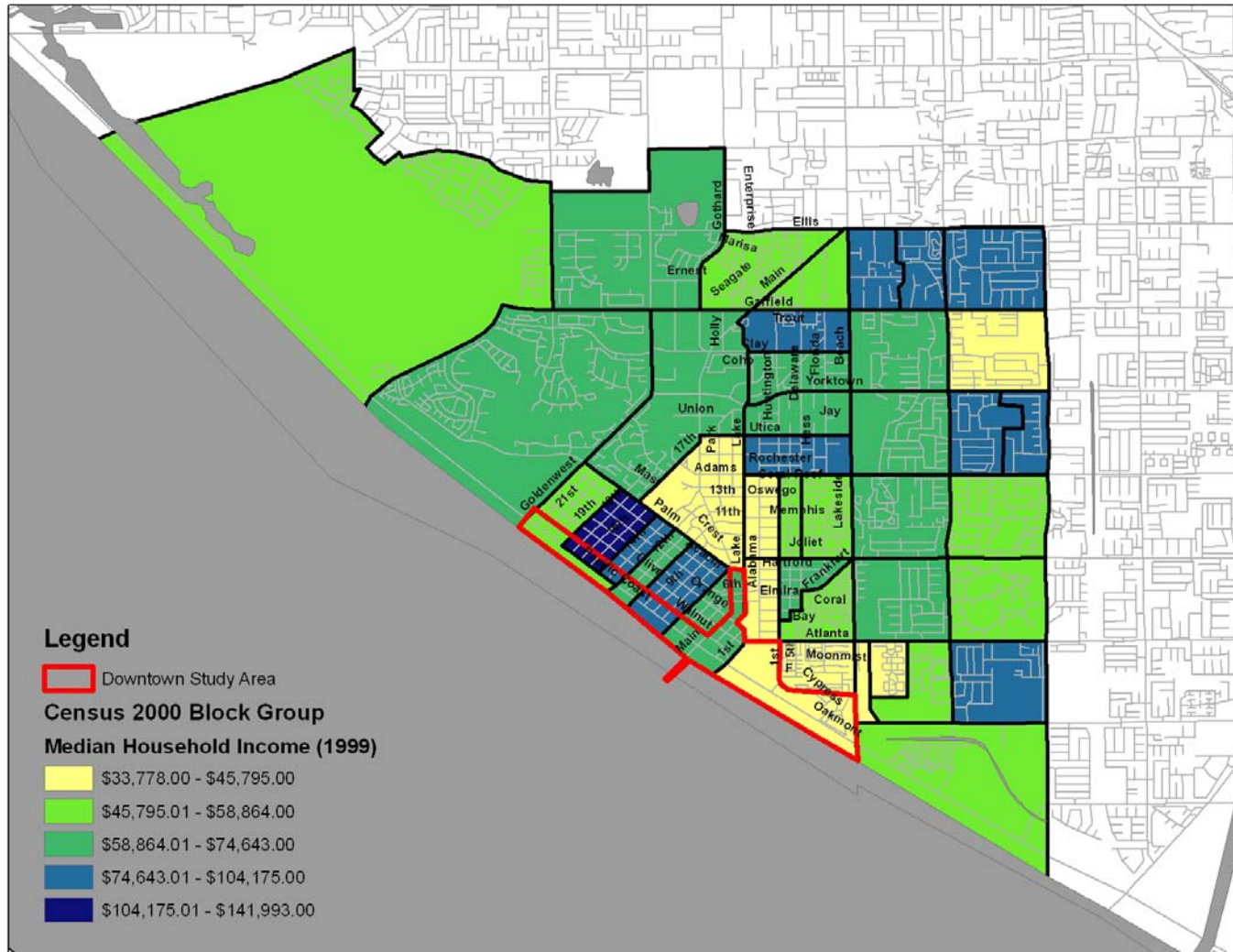
Within the demographic analysis area, and more specifically within and closest to downtown, there is a strong presence of younger householders (Figure III-2) In contrast, Orange County and the City of Huntington Beach ( at 21.8 and 22.6%) depict much lower percentages than our focus area, where values within Census block groups range from 26 percent to 76 percent. This relatively large concentration of younger residents also corresponds with predominantly higher median income and per capita income figures (Figure III-3 and Figure III-4). This illustrates that the younger adults have relatively high incomes, especially on a per-capita basis, and this group would have different demands for goods and services compared to the traditional households with the same income.

**Figure III-2: Percentage of Householders Under 35 (2000)**



Source: U.S. Census Bureau (2000). *Summary 1 File (3)*

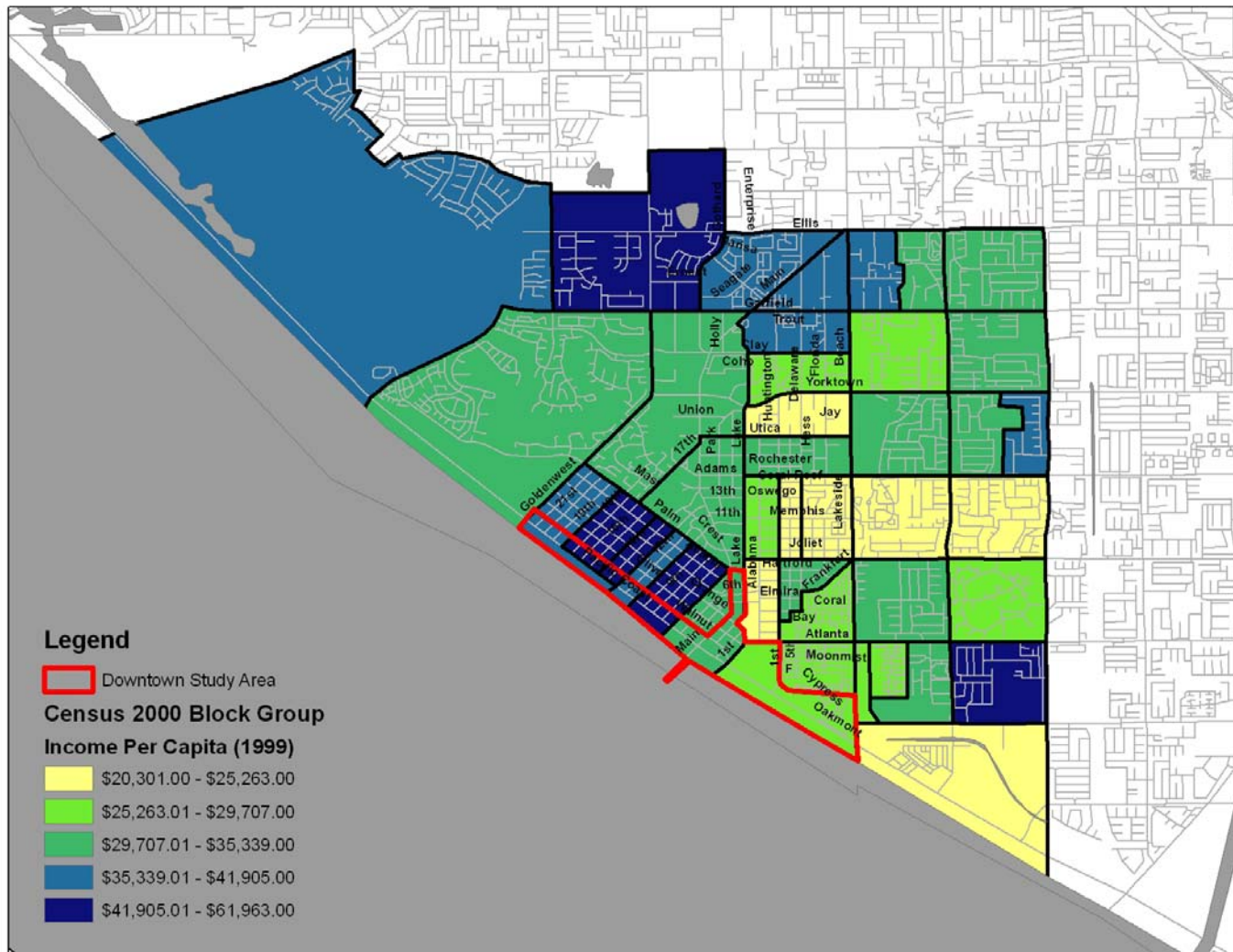
Figure III-3: Median Household Income (1999)



Source: U.S. Census Bureau (2000). *Summary 1 File (3)*



**Figure III-4: Per Capita Income (1999)**



Source: U.S. Census Bureau (2000). *Summary 1 File (3)*



## **Commercial Real Estate Pricing**

Retail space leases near Downtown are generally priced in the range of \$20-\$25 annually per square foot (SF). Some of the most expensive retail space in Huntington Beach is at Five Points Plaza, approximately 2-1/2 miles from the heart of Downtown at Main Street and Beach Boulevard, with rents from approximately \$40 to \$50 per SF, and at the Bella Terra center located at Edinger Avenue and Beach Boulevard, 5-1/4 miles from Downtown, where rents in vacant spaces range from \$31 to \$40. Five Points promotional literature promotes it as a “fashion center.” The recently redeveloped Bella Terra is promoted as a “lifestyle entertainment center.” Outside of Downtown on the Pacific Coast Highway, at Peter’s Landing, asking rents are over \$30/SF.

According to CBRE and Grubb & Ellis<sup>4</sup>, retail vacancy rates in Orange County are at a very low 3 to 4 percent, even though vacancy increased throughout the County in the last quarter (and from the same period one year ago), and average rents are \$30.50/SF. CBRE’s West Orange County sub-market, which includes Huntington Beach, has average rents of \$27.60/SF and an overall vacancy of 4.4 percent – still a very low rate. Less than 100,000 square feet of retail were under construction in West O.C. as of CBRE’s third quarter report date. The two brokerage firms note in their reports that the housing downturn has had some short-term negative effect on leasing and rental rates.

Office space in Downtown rents in the \$20/SF range for non-premium space, which is typical of other non-prime buildings in the cluster of office buildings in the Edinger Avenue area. The Towers at Bella Terra, with rents of approximately \$35/SF, has some of the highest office rents in Huntington Beach, in high-rise office buildings. Another tower, The Plaza at Warner Avenue and Beach Boulevard, rents in the \$28-\$30/SF range.

According to CBRE<sup>5</sup>, office vacancy rates in Orange County average just under 11 percent, having increased steadily from a low of 6 percent in early 2006. Average rents for the County are \$33.25/SF. CBRE’s West Orange County office sub-market has average rents of \$27.60/SF (same as for retail) and a lower vacancy than the County, at a healthy 7.2 percent. The office market in the West County is quite small compared to Orange County as a whole. West County’s existing base of office space<sup>6</sup>, at 5.0 million square feet, is only 5.2 percent of Orange County’s total space. In contrast, the West County base of existing retail space is 11.5 percent of the County retail space (square foot figures from CBRE). Because Huntington Beach probably has a higher proportion of its office space in smaller projects, and in mixed-use projects Downtown, the CBRE figures probably understate somewhat the actual office space in the West County. However, the comparison of the sub-market with the County does provide a measure of the extent to which Huntington Beach is currently a “player” in securing major office

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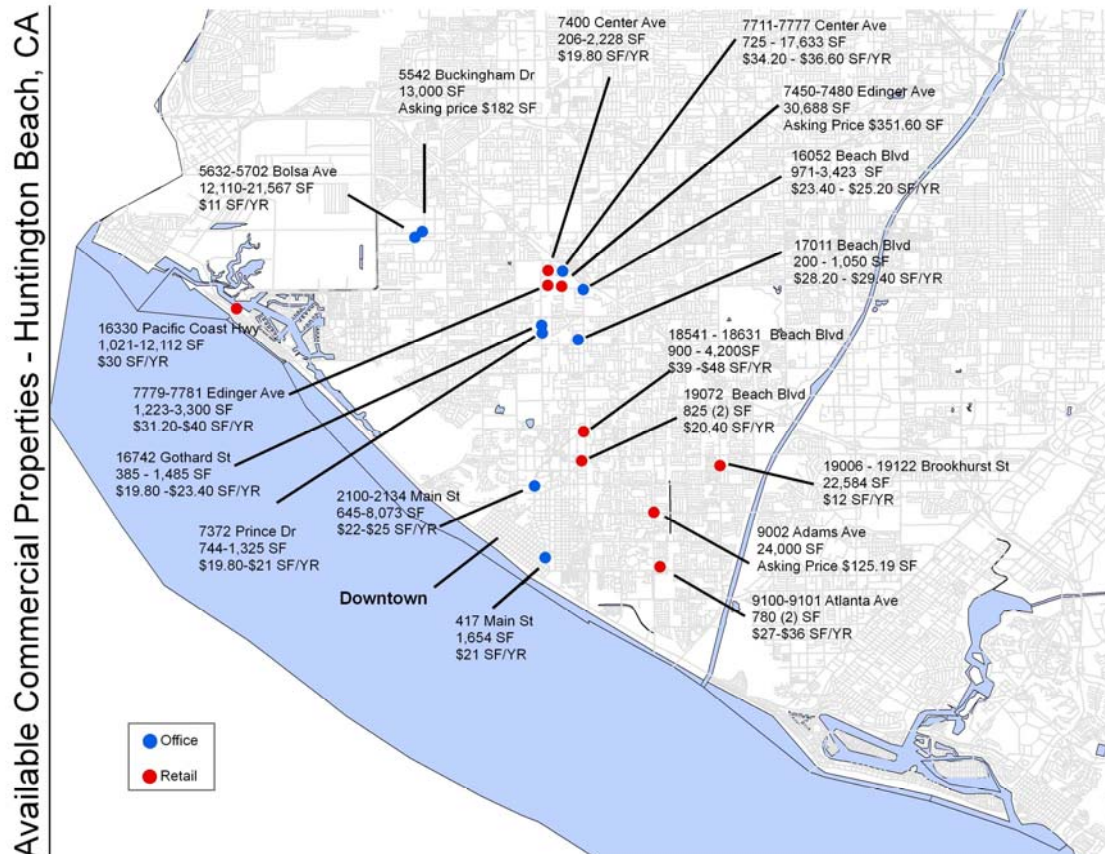
<sup>4</sup> Grubb & Ellis, Retail Market Trends Orange County, Summer 2007; CB Richard Ellis, Orange County Retail MarketView, Third Quarter 2007.

<sup>5</sup> CB Richard Ellis, Orange County Office MarketView, Third Quarter 2007.

<sup>6</sup> As defined by CBRE, which includes all existing competitive office and flex projects 30,000 square feet and greater in size, and excludes medical and government buildings.

tenants. Similarly to the retail market, CBRE notes in their report that the housing downturn has had some short-term negative effect on office leasing.

**Figure III-5: Sample of commercial real estate listings in Huntington Beach**



Sources: Various real estate listings

## **Summary of Key Strategic Issues from Huntington Beach Draft Strategic Plan and RRM's Stakeholder Interviews**

The following outline summarizes key strategic issues identified during RRM's stakeholder interviews and in the City of Huntington Beach Strategic Plan (Priority Goals and Projects).

### **Stakeholder interviews by RRM Design Group, October 2007:**

- Parking needs to be more efficient and effective, through coordinated efforts.
- Seasonality is an issue, with the emphasis on surf culture contributing to this situation.
- Diversifying and upgrading the cultural scene would be a plus.
- Greater number of downtown residents is desirable.
- Increase densities.
- Improve pedestrian experience.

### **Huntington Beach Strategic Plan, June 2006:**

- Promote tourism; compete with other destinations in Orange County.
- Identify opportunities for private investment in public projects and programs.
- Revitalize old commercial centers. (This activity could introduce competitive pressures on some Downtown developments.)
- Complete renewal projects for Downtown and the waterfront.
- Develop a Community Engagement Process, for both citizen feedback and increasing citizens' awareness of opportunities for investment, involvement etc. (The Downtown area could benefit more than other parts of the community from such practices, since it is inherently a more interesting place.)
- Resolve infrastructure needs, priorities, and funding in concert with review of general fiscal health. (This activity could affect redevelopment/revitalization efforts Downtown.)

## **Discussion of Strategic Priorities**

The italicized sub-headings and related discussion below represent key strategic issues that have been raised during the course of our research for this study. As appropriate, these topics will be addressed in greater detail in the Specific Plan implementation element.

### ***Tourist and local “zones” for commercial activity***

Local real estate practitioners expressed both praise for this concept, because it helped organize the commercial heart of Downtown, and frustration at the restricted flexibility in leasing portions of buildings that present specific marketing challenges.

### ***Existing assumptions and opinions about ultimate demand/capacity for hotel space***

Some officials and stakeholders believe that with the new hotels now planned for the city, demand will be satisfied for the foreseeable future. Some stakeholders have expressed the opinion that more hotel rooms could be developed. (See section “Potential future development scenarios” below.)

### ***General lack of affordable housing in community, and subsequent effects on overall growth and demographic composition***

In the *Orange County Economic Outlook for 2008*<sup>7</sup>, the authors based projections of future population growth in Orange County, at rates of less than 1 percent annually through 2012, on relatively high rates of domestic out-migration, which is slightly more than offset by natural increases in the existing population. The authors assume that the outmigration pattern is due to the lack of affordable housing in the County. Figures in the *Outlook* for median home-selling prices in Orange County cities indicate that 2007 prices in Huntington Beach are only 10 percent above the average for the County. However, among the eight cities in the County with populations of 100,000 or more<sup>8</sup>, including Huntington Beach, only Irvine had a 2007 median home-selling price higher than Huntington Beach.

From 2006 to 2007 Huntington Beach population grew by only 0.4 percent, while the County grew by 0.9 percent. The *Outlook* does not give projections for individual cities, but the 2006-2007 growth difference between Huntington Beach and the whole County could be indicative of a continuing pattern, in which case Huntington Beach would grow at a rate of 0.2 to 0.3 percent annually through 2012, experiencing the same pattern of net outmigration.

The low growth rate, assuming it is tied to the issue of constrained supplies of affordable housing, as discussed above, has some implications for demographic composition, as discussed above.

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<sup>7</sup> UCLA Anderson Forecast, October 2007.

<sup>8</sup> Estimates for 2007, as shown in the *Outlook*.

Moving Trends. The Demographic Research Unit produced *Who Moved Where and Why?*<sup>9</sup> in 2007, a population migration analysis taken from the Current Population Survey for 2001-2003.<sup>10</sup> We reviewed this report to see what it might reveal concerning the relationship of housing-related moves and demographic changes. The report identified that 64 percent of movers simply moved within the same county, while 21 percent of movers moved to a different county. However, it is important to recognize the reasons for moving, and the report distinguished among four categories: employee-related, family-related, housing-related, and other. For moves within the same county, 64.5 percent were housing-related, and 44.4 percent of moves outside of the county were housing related (which yielded an overall average of 52.5 percent for housing as the reason for all moves).

In addition, the reasons for moving were compared to a set of attributes to determine potential correlations. Income proved to be an influential characteristic. Persons between 100 to 149 percent of the poverty level were more likely to move for housing-related reasons than those persons above and below that mark (42.3% below the poverty line and 54.0% for those 150% above the poverty line). Persons within the 100 to 124 percent of the poverty level attributed 55.3 percent of moves to housing-related reasons and those within 125 to 149 percent of the poverty level attributed 64.9 percent of moves to housing related reasons.

Marital status also proved to impact reasons for moving with married couples being more likely to relocate for housing-related reasons (55.3%) than any other category (which included never married, divorced, separated and widowed). Data for owners/renters show that 61.9 percent of owners relocated for housing-related reasons while only 47.6 percent of renters relocated for this reason.

### ***Variations in quality, highest-and-best use, etc. within Downtown and surroundings***

Redevelopment projects in the Downtown area have the inevitable result of heightening the contrast between high-quality facilities and those that are approaching obsolescence. This type of building mix is not necessarily a problem; the issue is how well facilities match: a) the needs of retailers (and service providers), and b) the needs of the markets that are most appropriate to being served from Downtown.

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<sup>9</sup> *Who Moved Where and Why?* Current Population Survey, Annual Social and Economic Supplement: California, March 2001-2003.

<sup>10</sup> This report surveyed movers to and within California between March 2000 to March 2003. The CPS is a monthly household survey conducted by the Bureau of the Census for the Bureau of Labor Statistics. The population represented in the CPS is the civilian non-institutional population of the United States, including members of the armed forces not living on military bases or living in civilian housing on base. The CPS primarily provides monthly data on the labor force and, in addition, much detailed supplementary data designed to meet a wide variety of users' needs. The March supplement to the CPS is conducted in approximately 50,000 dwelling units annually, of which about 5,600 are in California.

Note however that the two conditions (a and b) are not necessarily aligned. Within every market area, there is some level of demand for goods and services at the low end of the retail spectrum. These goods/services could be catering to a market group distributed well beyond the local area served by a shopping district. A primary requirement for such retailers is affordability of space. Consequently marginally functional properties are always subject to being put to such uses, which might not be in the best interests of a place like Downtown.

### ***Boundaries of specific plan area***

The designation of the boundaries is integral to a series of other strategic decision points affecting Downtown, including the following:

Whether some or all of the lower-value retail facilities should be targeted for renovation or redevelopment, or left to market forces, which might include some of the marginal space being left as-is to round out the mix of space and establishment types.

The extent to which residential uses are to be encouraged to locate in the Downtown area, and whether specific plan designation could help, or hinder, residential development that is compatible with Downtown.

The fiscal implications of the size of the specific plan area and what it includes, e.g. redevelopment or other targeted funds available and the projected geographic and timeline allocation of such funds, and potential benefits from actions taken pursuant to a specific plan designation, versus the costs incurred

Public preferences/acceptance, regarding inclusion of areas focused on specific uses, such as residential.

### **Potential Future Development Scenarios**

The italicized sub-headings and related commentary below represent potential development scenarios or themes that could be potentially incorporated into the Downtown Specific Plan. These will be further developed in the Specific Plan implementation section.

#### ***Continued redevelopment/revitalization momentum leads to increasing demand, from both day-visitors and other tourists***

Maximum or “build-out” tourism capacity is difficult to predict for places that are attractive, at their core, to tourists. The ultimate example of this is Las Vegas, where increasingly grandiose tourist facilities only seem to lead to more, even larger and more spectacular facilities being developed. New destination-scale projects draw their own new clientele base. The success of new projects leads others to believe yet another project can likewise succeed. For any given tourist destination place, the potential market, in a world economy, is huge by comparison.

As with other goods and services, there are thresholds at which a tourist community transcends whatever traditional demand base it has serviced in the past. The community becomes an attraction in itself, and additional facilities simply add to the drawing power, like a growing magnet. Such thresholds are also difficult to predict and depend on a combination of factors including the nature of a place's existing visitor market, its general accessibility, and the nature and location of the most directly competitive places.

***Trend in “urban living” continues to favor Huntington Beach, perhaps in specific niches, relative to competing communities***

The development of urban condominiums, in “loft” or other formats, has apparently reached saturation in Southern California as of the date of this report, due to a combination of overbuilding and the current round of housing devaluation.<sup>11</sup> However, the phenomenon of growing demand for urban living, which has been in evidence for roughly the last four years, is apparently a real trend. The trend has appeared throughout the U.S., even in cities that have not traditionally been associated with urban amenities. It is reasonable to expect that cities with ample visitor amenities would also be especially attractive to prospective urban-lifestyle residents.

***The distinction between visitor-based and locally based retail/services activities becomes less relevant, with more urban-oriented residents and visitors interested in authentic local experiences.***

The concept of “sustainable tourism” now embraces more than the term's original focus of eco-tourism. Key tenets include the adoption of a holistic approach that minimizes the impact on the environment and local culture while generating income and employment.<sup>12</sup> Tourism relies heavily on the environment, on nature, and on the cities in which it thrives – and the tourist industry has begun to shift rapidly as public expectations are changing to ensure travel experiences meet high standards and allow travelers to make responsible choices.

From a study released by the Travel Industry Association of America and National Geographic Traveler, nearly 36 percent (or 55.1 million) of adult American travelers want to engage in travel experiences that demonstrate sustainability through positive impacts on the earth's environment, local cultures and economies.<sup>13</sup>

Other outcomes claimed for sustainable tourism are:

Strengthening communities:

Tourism can add to the vitality of communities in many ways. One example is that

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<sup>11</sup> See for example “O.C. high-rise boom fizzles” by Jeff Collins in *The Orange County Register*. September 26, 2007. [ocregister.com](http://ocregister.com)

<sup>12</sup> Coombes, Andrea. “Balanced travel: With sustainable tourism, both the traveler and the destination get pampered.” *MarketWatch*: August 28, 2006.

<sup>13</sup> The Geotourism Study - Phase I Executive Summary, Travel Industry Association of America, National Geographic Traveler, March 2002.

events and festivals of which local residents have been the primary participants and spectators are often rejuvenated and developed in response to tourist interest.

Revaluation of culture and traditions:

Tourism can boost the preservation and transmission of cultural and historical traditions, which often contributes to the conservation and sustainable management of natural resources, the protection of local heritage, and a renaissance of indigenous cultures, cultural arts and crafts.

While the preceding facts fall short of making a convincing case for the proposed scenario – that future visitors might be increasingly interested in authentic local experiences, which could mean that the distinction between locally based and tourism-focused retail becomes less relevant – the concept should perhaps be considered, especially when the City is reviewing strategies for maintaining a separation between the two types of shopping, or when developers are devising their business plans for new projects.

It should be noted that concurrent with the development of the Downtown Specific Plan, the City is initiating the development of a marketing program that will focus on strengthening Huntington Beach's position as a tourism destination. The above issues and concepts should be revisited upon the completion of the destination tourism analysis in order to ensure full integration of the Specific Plan with this related marketing activity.

***Surf culture focus is augmented by cultural/entertainment activities and facilities that are compatible and contribute to an "ambience of sophistication."*<sup>14</sup>**

This scenario is already a goal for Huntington Beach. It is relatively achievable since, rather than a major allocation of funds, it requires most of all an organized, diverse group of stakeholders with a commitment to carrying out a series of incremental, coordinated steps leading up to this goal. Although some type and level of public involvement and funding could expedite the achievement of this goal, private investment, philanthropy, and volunteerism are likely to be the most important components of a plan for cultural enhancement.

### ***Downtown becomes a desired location for office development***

The advantage of this scenario, which has been expressed by the City, is to add to the daytime population within the Downtown commercial district. The marketing message inherent in this concept is that Downtown would appeal to amenity-seeking "knowledge" workers, both as a place to work and potentially as a place to live as well. This type of

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<sup>14</sup> "Ambience of sophistication" is a somewhat subjective concept and is therefore difficult to quantify. However, it is intended here to refer to land uses and other elements within the Downtown that would expand its appeal to higher-income demographic groups likely to enhance the Downtown's long-term economic viability. These land uses would include, for example, higher quality restaurants and retail stores that would encourage frequent patronage of the Downtown by area residents and higher-income visitors, thereby capturing a higher portion of the retail demand potential associated with these groups.



worker tends to be desirable from an economic development point of view, since they are likely to have relatively high wages and be involved in fast-growing companies. In order to decide whether to make a commitment to this strategy, additional information should be compiled regarding the extent to which the Downtown environment does or could fit a workplace-amenity profile, competitive areas and their characteristics, the extent to which a workforce could supplement local retail activity, support systems in place for this type of worker (e.g. appropriate housing), etc.

***Competition from the Bella Terra Century 20 theater makes it unlikely that the downtown area will be able to attract a traditional or “art house” movie theater in the foreseeable future.***

According to the property manager of the Pierside Pavillion, there is no longer a viable market for a movie theater in the downtown area due to the competitive impact of the Bella Terra Century 20 theater (developed in 2005). The Mann’s 6 theater at the Pierside Pavillion was closed and re-opened by Sanborn (an independent movie theater) in 2006. However, after repeated attempts by the property owner to facilitate the success of this use (including reducing the rent for the space), Sanborn also closed the underperforming theater. After unsuccessful attempts to market the property to other potential movie theater operators, the property owner is planning to convert the space to office uses.<sup>15</sup>

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<sup>15</sup> Information provided by Jay Larue, Property Manager, Pierside Pavillion. April 25, 2008.

## IV. RETAIL ANALYSIS

This section examines potential retail demand associated with the population residing in the market areas in which downtown retail facilities can be expected to draw market support. In addition, the analysis takes into account the potential spending associated with overnight tourists (i.e., hotel guests) and regional daytime visitors to Huntington Beach. The analysis projects the amount of incremental retail sales activity that could occur in Downtown Huntington Beach during the 18-year analysis period from 2007 to 2025, and translates this incremental demand into supportable square footages of new retail space.

The tables presented below reflect relatively conservative assumptions regarding the Downtown's future market shares of resident and visitor retail demand. A second scenario – based on somewhat more aggressive assumptions – is provided in Appendix A of the report. Appendix B of the report provides TNDG's estimate of Huntington Beach's current "leakage" of citywide resident retail demand.

### **Resident Market Areas**

The analysis considers two resident market areas:

1. A primary market area (PMA) defined by a one-mile radius around the Downtown (centered at Main and Olive); and
2. A secondary market area (SMA) defined as a five-mile radius around the Downtown, excluding the PMA (i.e., the SMA is the outer 1-5 mile "ring").

The analysis assumes that, given an adequate supply of retail facilities and convenient access, residents of the PMA could patronize the Downtown for day-to-day shopping needs. SMA residents are assumed to do occasional shopping in the Downtown (again, assuming an attractive supply of retail/restaurant facilities).

Projected growth in PMA and SMA households is shown in Table IV-1 below. The household projections through 2012 are from Claritas – a nationally recognized provider of demographic forecasts. Post-2012 growth is projected to occur at an average annual rate of 1.0% in PMA and 0.5% in the SMA. These growth rates are more aggressive than the official forecasts published by the Southern California Association of Governments (SCAG), which indicate annual growth rates in the range of 0.1% to 0.3%. TNDG believes the more aggressive growth rates are realistic given projected employment growth in the City, which will drive demand for new housing. The more aggressive growth rates are also consistent with the absorption forecasts of major planned development projects (e.g., Pacific City) and with the housing demand forecasts developed by TNDG (see Chapter VI of this report).

**Table IV-1:  
Projected Number of Households  
Downtown Huntington Beach Trade Area**

Area	2007	2010	2012	2015	2020	2025
Primary Market Area (1-mile radius)	9,567	9,794	9,948	10,249	10,772	11,322
Secondary Market Area (1-5 mile ring)	92,560	94,301	95,480	96,919	99,367	101,876
Total	102,127	104,095	105,428	107,169	110,139	113,198

Source: Claritas; The Natelson Dale Group, Inc. (TNDG).

Table IV-2 below shows the estimated average household income levels for the primary and secondary market areas. The analysis conservatively assumes that household income levels will remain constant (in real dollar terms) over the course of the planning horizon.

The estimated household income levels in 2007 are derived from Claritas data and have been increased by a factor 22.5%. The reason for the 22.5% increase factor is that the Claritas income estimates are based on the “money income” definition of income utilized by the U.S. Census Bureau. This measure of income is narrower than the “personal income” definition used by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). The broader definition includes additional income sources such as fringe benefits (health insurance, retirement funding), imputed income (interest, rent), and direct payments to medical providers by governments. Personal income therefore represents a more complete gauge of a household’s economic status. According to the Center for the Continuing Study of the California Economy (CCSCE), personal income – the broader definition of income – is the preferred measure for purposes of projecting a household’s purchasing power (i.e., retail demand).

**Table IV-2:  
Average Household Income Projections  
Downtown Huntington Beach Retail Trade Area  
In 2007 Constant Dollars**

Primary Market Area (1-mile radius)	\$109,057					
Secondary Market Area (1-5 mile ring)	\$112,423					
Annual Increase Factor	0.00%					
Area	2007	2010	2012	2015	2020	2025
Primary Market Area (1-mile radius)	\$109,057	\$109,057	\$109,057	\$109,057	\$109,057	\$109,057
Secondary Market Area (1-5 mile ring)	\$112,423	\$112,423	\$112,423	\$112,423	\$112,423	\$112,423

Source: Claritas; TNDG

TNDG projects that PMA residents will spend approximately 34% of their total household income on retail purchases. This factor is derived from the Consumer Expenditure Survey published by the Bureau of Labor Statistics. The retail expenditure factor for the SMA is projected at 33% of total household income, reflecting the somewhat higher income levels in the SMA (as incomes increase, retail expenditures tend to increase in absolute terms, but are less as a percentage of total income). Table IV-3 below projects total retail sales potential in the PMA and the SMA through 2025.

**Table IV-3:**  
**Total Income and Potential Retail Sales Projections**  
**Downtown Huntington Beach Retail Trade Area**  
**In Thousands of 2007 Dollars**

		PMA	SMA			
Percent of Income Spent for Retail Goods		34.0%	33.0%			
Area	2007	2010	2012	2015	2020	2025
<b>Total Income:</b>						
Primary Market Area (1-mile radius)	\$1,043,347	\$1,068,082	\$1,084,898	\$1,117,771	\$1,174,789	\$1,234,715
Secondary Market Area (1-5 mile ring)	\$10,405,887	\$10,601,627	\$10,734,162	\$10,895,981	\$11,171,118	\$11,453,203
Total	\$11,449,234	\$11,669,710	\$11,819,060	\$12,013,752	\$12,345,907	\$12,687,918
<b>Potential Retail Sales:</b>						
Primary Market Area (1-mile radius)	\$354,738	\$363,148	\$368,865	\$380,042	\$399,428	\$419,803
Secondary Market Area (1-5 mile ring)	\$3,433,943	\$3,498,537	\$3,542,274	\$3,595,674	\$3,686,469	\$3,779,557
Total Potential Retail Sales	\$3,788,681	\$3,861,685	\$3,911,139	\$3,975,716	\$4,085,897	\$4,199,360

Source: TNDG.

Table IV-4 shows the projected distribution of resident retail expenditures by major retail category. These percentages are based on the actual distribution in Orange County in 2006, as reported by the State Board of Equalization (SBOE).

**Table IV-4:**  
**Distribution of Retail Sales by Retail Category**  
**Based on Orange County Distribution**  
**Downtown Huntington Beach Retail Trade Area**

Retail Category	% Distribution					
	2007	2010	2012	2015	2020	2025
<i>Shopper Goods:</i>						
Apparel	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
General Merchandise	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Home Furnishings	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Specialty	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Subtotal	39.00%	39.0%	39.0%	39.0%	39.0%	39.0%
<i>Convenience Goods:</i>						
Food Stores	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Eating and Drinking	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Subtotal	28.00%	28.0%	28.0%	28.0%	28.0%	28.0%
<i>Heavy Commercial Goods:</i>						
Building/ Hardware/ Farm	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Auto Dealers and Parts	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Service Stations	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Subtotal	33.00%	33.0%	33.0%	33.0%	33.0%	33.0%
Total	100.00%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: TNDG, based on historic trends for Orange County reported by the State Board of Equalization

Table IV-5 applies the percentage distribution to total retail spending potential to project the PMA's total resident demand by retail category.

**Table IV-5:**  
**Projected PMA Demand for Retail Sales by Major Retail Category**  
**Downtown Huntington Beach Retail Trade Area**  
**In Thousands of 2007 Dollars**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	\$17,737	\$18,157	\$18,443	\$19,002	\$19,971	\$20,990
General Merchandise	\$46,116	\$47,209	\$47,952	\$49,405	\$51,926	\$54,574
Furniture/Appliances	\$17,737	\$18,157	\$18,443	\$19,002	\$19,971	\$20,990
Specialty	\$56,758	\$58,104	\$59,018	\$60,807	\$63,908	\$67,168
Subtotal	\$138,348	\$141,628	\$143,857	\$148,216	\$155,777	\$163,723
<i>Convenience Goods:</i>						
Food Stores	\$56,758	\$58,104	\$59,018	\$60,807	\$63,908	\$67,168
Eating and Drinking	\$42,569	\$43,578	\$44,264	\$45,605	\$47,931	\$50,376
Subtotal	\$99,327	\$101,681	\$103,282	\$106,412	\$111,840	\$117,545
<i>Heavy Commercial Goods:</i>						
Building/ Hardware/ Farm	\$24,832	\$25,420	\$25,821	\$26,603	\$27,960	\$29,386
Auto Dealers and Parts	\$63,853	\$65,367	\$66,396	\$68,408	\$71,897	\$75,565
Service Stations	\$28,379	\$29,052	\$29,509	\$30,403	\$31,954	\$33,584
Subtotal	\$117,064	\$119,839	\$121,726	\$125,414	\$131,811	\$138,535
Total	\$354,738	\$363,148	\$368,865	\$380,042	\$399,428	\$419,803
Source: TNDG						

Table IV-6 projects the SMA's resident retail demand by major sales category.

**Table IV-6:**  
**Projected SMA Demand for Retail Sales by Major Retail Category**  
**Downtown Huntington Beach Retail Trade Area**  
**In Thousands of 2007 Dollars**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	\$171,697	\$174,927	\$177,114	\$179,784	\$184,323	\$188,978
General Merchandise	\$446,413	\$454,810	\$460,496	\$467,438	\$479,241	\$491,342
Furniture/Appliances	\$171,697	\$174,927	\$177,114	\$179,784	\$184,323	\$188,978
Specialty	\$549,431	\$559,766	\$566,764	\$575,308	\$589,835	\$604,729
Subtotal	\$1,339,238	\$1,364,429	\$1,381,487	\$1,402,313	\$1,437,723	\$1,474,027
<i>Convenience Goods:</i>						
Food Stores	\$549,431	\$559,766	\$566,764	\$575,308	\$589,835	\$604,729
Eating and Drinking	\$412,073	\$419,824	\$425,073	\$431,481	\$442,376	\$453,547
Subtotal	\$961,504	\$979,590	\$991,837	\$1,006,789	\$1,032,211	\$1,058,276
<i>Heavy Commercial Goods:</i>						
Building/ Hardware/ Farm	\$240,376	\$244,898	\$247,959	\$251,697	\$258,053	\$264,569
Auto Dealers and Parts	\$618,110	\$629,737	\$637,609	\$647,221	\$663,564	\$680,320
Service Stations	\$274,715	\$279,883	\$283,382	\$287,654	\$294,918	\$302,365
Subtotal	\$1,133,201	\$1,154,517	\$1,168,950	\$1,186,572	\$1,216,535	\$1,247,254
Total	\$3,433,943	\$3,498,537	\$3,542,274	\$3,595,674	\$3,686,469	\$3,779,557
Source: TNDG						

Table IV-7 and Table IV-8 show the Downtown's projected "capture rates" of PMA and SMA retail demand. The Downtown's captures rates of PMA demand are assumed to be relatively high given the close proximity of PMA residents. The Downtown's capture rates of SMA demand are assumed to be significantly lower given the greater distance of SMA residents from the Downtown and the availability of substantial competitive facilities closer to their homes. For both the PMA and SMA, TNDG believes the capture rates shown below are conservative. An alternative scenario – reflecting somewhat more aggressive capture rates – is shown in Appendix A.

**Table IV-7:**  
**Potential Capture Rates of PMA Demand**  
**Downtown Huntington Beach**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	15%	15%	20%	20%	20%	20%
General Merchandise (including drug stores)	5%	10%	10%	10%	10%	10%
Furniture/Appliances	0%	10%	10%	10%	10%	10%
Specialty	15%	15%	20%	20%	20%	20%
<i>Convenience Goods:</i>						
Food Stores	25%	30%	35%	35%	35%	35%
Eating and Drinking	25%	30%	35%	35%	35%	35%

Source: TNDG

**Table IV-8:**  
**Potential Capture Rates of SMA Demand**  
**Downtown Huntington Beach**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	5.0%	5.0%	7.0%	7.0%	7.0%	7.0%
General Merchandise (including drug stores)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Furniture/Appliances	0.0%	2.5%	3.5%	3.5%	3.5%	3.5%
Specialty	5.0%	5.0%	7.0%	7.0%	7.0%	7.0%
<i>Convenience Goods:</i>						
Food Stores	2.5%	3.0%	4.0%	4.0%	4.0%	4.0%
Eating and Drinking	5.0%	10.0%	12.0%	12.0%	12.0%	12.0%

Source: TNDG



Table IV-9, Table IV-10, and Table IV-11 apply the above captures rates to total demand in the two market areas to forecast the dollar amounts of “capturable” demand in the Downtown.

**Table IV-9:**  
**Potential Capture of Sales from PMA**  
**Downtown Huntington Beach**  
**In Thousands of 2007 Dollars**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	\$2,661	\$2,724	\$3,689	\$3,800	\$3,994	\$4,198
General Merchandise (drug store)	\$2,306	\$4,721	\$4,795	\$4,941	\$5,193	\$5,457
Furniture/Appliances	\$0	\$1,816	\$1,844	\$1,900	\$1,997	\$2,099
Specialty	\$8,514	\$8,716	\$11,804	\$12,161	\$12,782	\$13,434
Subtotal	\$13,480	\$17,976	\$22,132	\$22,803	\$23,966	\$25,188
<i>Convenience Goods:</i>						
Food Stores	\$14,190	\$17,431	\$20,656	\$21,282	\$22,368	\$23,509
Eating and Drinking	\$10,642	\$13,073	\$15,492	\$15,962	\$16,776	\$17,632
Subtotal	\$24,832	\$30,504	\$36,149	\$37,244	\$39,144	\$41,141

Source: TNDG

**Table IV-10:**  
**Potential Capture of Sales from SMA**  
**Downtown Huntington Beach**  
**In Thousands of 2007 Dollars**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	\$8,585	\$17,493	\$21,254	\$21,574	\$22,119	\$22,677
General Merchandise (drug store)	\$0	\$0	\$0	\$0	\$0	\$0
Furniture/Appliances	\$0	\$8,746	\$10,627	\$10,787	\$11,059	\$11,339
Specialty	\$27,472	\$55,977	\$68,012	\$69,037	\$70,780	\$72,567
Subtotal	\$36,056	\$82,216	\$99,892	\$101,398	\$103,958	\$106,584
<i>Convenience Goods:</i>						
Food Stores	\$13,736	\$16,793	\$22,671	\$23,012	\$23,593	\$24,189
Eating and Drinking	\$20,604	\$41,982	\$51,009	\$51,778	\$53,085	\$54,426
Subtotal	\$34,339	\$58,775	\$73,679	\$74,790	\$76,679	\$78,615

Source: TNDG

**Table IV-11:**  
**Potential Capture of Sales from Combined Resident Market Areas**  
**Downtown Huntington Beach**  
**In Thousands of 2007 Dollars**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	\$11,245	\$20,216	\$24,942	\$25,374	\$26,113	\$26,875
General Merchandise (drug store)	\$2,306	\$4,721	\$4,795	\$4,941	\$5,193	\$5,457
Furniture/Appliances	\$0	\$10,562	\$12,471	\$12,687	\$13,057	\$13,438
Specialty	\$35,985	\$64,692	\$79,815	\$81,198	\$83,562	\$86,001
Subtotal	\$49,536	\$100,191	\$122,024	\$124,201	\$127,924	\$131,772
<i>Convenience Goods:</i>						
Food Stores	\$27,925	\$34,224	\$43,327	\$44,295	\$45,961	\$47,698
Eating and Drinking	\$31,246	\$55,056	\$66,501	\$67,739	\$69,861	\$72,057
Subtotal	\$59,171	\$89,280	\$109,828	\$112,034	\$115,823	\$119,755

Source: TNDG

Table IV-12 forecasts total visitor-derived retail/restaurant expenditures in Orange County through 2025. These forecasts were derived by TNDG based on data published by Dean Runyon Associates. For purposes of this analysis, “visitor” expenditures include both overnight tourists and local day visitors.

**Table IV-12:**  
**Projected Growth in Visitor Retail/Restaurant Expenditures (Overnight & Day Visitors)**  
**Orange County**  
**In Thousands of 2007 Dollars**

<i>Average Annual Growth Rate:</i>		2.0%				
<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
Food Stores	\$210,000	\$222,854	\$231,857	\$246,048	\$271,657	\$299,932
Eating & Drinking	\$2,100,000	\$2,228,537	\$2,318,570	\$2,460,485	\$2,716,574	\$2,999,317
Other Retail	\$1,500,000	\$1,591,812	\$1,656,121	\$1,757,489	\$1,940,410	\$2,142,369
Total	\$3,810,000	\$4,043,202	\$4,206,548	\$4,464,022	\$4,928,641	\$5,441,618

Source: TNDG, based on data published by Dean Runyon Associates.

Table IV-13 projects the shares of County-wide visitor expenditures that could potentially be captured by retail/restaurant facilities in Downtown Huntington Beach. The base year (2007) capture rates have been estimated by TNDG based on Huntington Beach's share of County-wide transient occupancy tax (TOT) revenue, which is assumed to serve as a proxy for the City's share of total visitor expenditures. The 2007 estimated have been further calibrated based on TNDG's estimates of current visitor expenditures in the Downtown. The Downtown's capture rates of County-wide visitor demand are projected to increase in future years. These increases are premised on the three major hotel projects currently pending in the Downtown, which will substantially increase the numbers of overnight visitors coming to the City.

**Table IV-13:**  
**Projected Capture of Orange County Visitor Expenditures**  
**Downtown Huntington Beach**  
**In Thousands of 2007 Dollars**

	2007	2010	2012	2015	2020	2025
<b>Capture Rates</b>						
Food Stores	0.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Eating & Drinking	3.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Other Retail	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Potential Retail/Restaurant Sales</b>						
Food Stores	\$1,050	\$6,686	\$6,956	\$7,381	\$8,150	\$8,998
Eating & Drinking	\$73,500	\$100,284	\$104,336	\$110,722	\$122,246	\$134,969
Other Retail (1)	\$45,000	\$79,591	\$82,806	\$87,874	\$97,020	\$107,118
Total	\$119,550	\$186,560	\$194,097	\$205,978	\$227,416	\$251,086
(1) Assume 65% is apparel, 5% is general merchandise (drug store), and 30% is specialty.						
Source: TNDG, based on data published by Dean Runyon Associates.						

Table IV-14 projects total potential retail/restaurant sales in the Downtown, including both resident and visitor expenditures.

**Table IV-14:**  
**Total Potential Sales (Resident and Visitor Demand Combined)**  
**Downtown Huntington Beach**  
**In Thousands of 2007 Dollars**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	\$40,495	\$66,204	\$69,911	\$73,504	\$79,960	\$87,053
General Merchandise (drug store)	\$4,556	\$8,700	\$8,936	\$9,334	\$10,044	\$10,813
Furniture/Appliances	\$0	\$6,189	\$8,043	\$8,193	\$8,448	\$8,713
Specialty	\$49,485	\$60,581	\$76,319	\$78,795	\$83,176	\$87,900
Subtotal	\$94,536	\$138,764	\$163,208	\$169,826	\$181,629	\$194,480
<i>Convenience Goods:</i>						
Food Stores	\$28,975	\$40,910	\$50,283	\$51,676	\$54,111	\$56,696
Eating and Drinking	\$104,746	\$155,340	\$170,837	\$178,461	\$192,107	\$207,027
Subtotal	\$133,721	\$196,250	\$221,119	\$230,137	\$246,218	\$263,723
Source: TNDG						

Table IV-15 compares potential (or theoretical) retail demand in the Downtown to the actual volume of retail sales in the Downtown during 2007 (as estimated by TNDG based on data supplied by The HdL Companies).

**Table IV-15:**  
**Comparison of Potential Demand with Estimated Existing Sales**  
**Downtown Huntington Beach**

<b>Retail Category</b>	<b>2007 Demand (000's)</b>	<b>2007 Sales (000's)</b>	<b>Expected Less Actual</b>	<b>Percent Actual/Expected</b>
<i>Shopper Goods:</i>				
Apparel	\$40,495	\$40,000	\$495	98.78%
General Merchandise (drug store)	\$4,556	\$0	\$4,556	0.00%
Furniture/Appliances	\$0	\$0	\$0	N/A
Specialty	\$49,485	\$20,000	\$29,485	40.42%
Subtotal	\$94,536	\$60,000	\$34,536	63.47%
<i>Convenience Goods:</i>				
Food Stores	\$28,975	\$1,500	\$27,475	5.18%
Eating and Drinking	\$104,746	\$100,000	\$4,746	95.47%
Subtotal	\$133,721	\$101,500	\$32,221	75.90%
Total in relevant categories:	\$228,258	\$161,500	\$66,758	70.75%
Source: TNDG, based on sales tax data provided by The HdL Companies.				

Table IV-16 projects net supportable retail sales in Downtown Huntington Beach (i.e., over and above existing sales levels).

**Table IV-16:**  
**Net Supportable Retail Sales**  
**Downtown Huntington Beach Retail Trade Area**  
**In Thousands of 2007 Dollars**

Retail Category	2007	2010	2012	2015	2020	2025
<i>Shopper Goods:</i>						
Apparel	\$495	\$23,204	\$29,911	\$33,504	\$39,960	\$47,053
General Merchandise (drug store)	\$4,556	\$8,700	\$8,936	\$9,334	\$10,044	\$10,813
Furniture/Appliances	\$0	\$6,189	\$8,043	\$8,193	\$8,448	\$8,713
Specialty	\$29,485	\$40,581	\$56,319	\$58,795	\$63,176	\$67,900
Subtotal	\$34,536	\$78,674	\$103,208	\$109,826	\$121,629	\$134,480
<i>Convenience Goods:</i>						
Food Stores	\$27,475	\$39,410	\$48,783	\$50,176	\$52,611	\$55,196
Eating and Drinking	\$4,746	\$55,340	\$70,837	\$78,461	\$92,107	\$107,027
Subtotal	\$32,221	\$94,750	\$119,619	\$128,637	\$144,718	\$162,223
Total in relevant categories:	\$66,758	\$173,424	\$222,828	\$238,463	\$266,347	\$296,703

Source: TNDG

Table IV-17 converts net supportable retail sales into demand for new retail space in the Downtown. The indicated numbers for each year are cumulative.

**Table IV-17:**  
**Net Supportable Retail Space for Relevant Categories**  
**Downtown Huntington Beach Retail Trade Area**  
**Expressed in Sales/Square Feet**

Retail Category	Sales/ Square Feet	2010	2012	2015	2020	2025
Apparel	\$500	46,408	59,821	67,007	79,920	94,107
General Merchandise (drug store)	\$400	21,751	22,339	23,336	25,109	27,033
Furniture/Appliances	\$500	12,378	16,087	16,385	16,897	17,426
Specialty/Other	\$500	81,162	112,638	117,590	126,353	135,801
Food Stores	\$600	65,683	81,305	83,627	87,685	91,993
Eating/Drinking	\$500	9,492	110,680	141,673	156,923	184,214
Services Space @ 10% of Retail	N/A	23,687	40,287	44,962	49,289	55,057
Allowance for standard vacancy @ 5%	N/A	13,714	23,324	26,031	28,536	31,875
<b>GRAND TOTAL</b>		<b>274,274</b>	<b>466,480</b>	<b>520,612</b>	<b>570,711</b>	<b>637,508</b>

Source: TNDG

Table IV-18 shows the approximate portions of total supportable space that would be supported by residents versus visitors.

**Table IV-18:**  
**Breakdown of Supportable Retail Space by Resident and Visitor Components**  
**Downtown Huntington Beach Retail Trade Area**  
**Expressed in Sales/Square Feet**

Retail Category	Net Demand in 2012			Net Demand in 2025		
	Resident Supported	Visitor Supported	Total	Resident Supported	Visitor Supported	Total
Apparel	13,765	46,056	56,509	18,838	75,269	94,107
General Merchandise (drug store)	11,988	10,351	11,988	13,644	13,390	27,033
Furniture/Appliances	16,087	-	16,087	17,426	-	17,426
Specialty/Other	75,974	36,664	107,670	86,153	49,647	135,801
Food Stores	70,057	11,247	81,305	77,394	14,600	91,993
Eating/Drinking	43,084	67,596	110,680	64,117	120,097	184,214
Services Space	23,096	17,191	38,424	27,757	27,300	55,057
Allowance for standard vacancy	13,371	9,953	22,245	16,070	15,805	31,875
<b>GRAND TOTAL</b>	<b>267,422</b>	<b>199,058</b>	<b>444,907</b>	<b>321,400</b>	<b>316,108</b>	<b>637,508</b>

Source: TNDG

### **Potential Art Gallery Demand**

To evaluate the potential demand for art gallery space, TNDG examined available data from the 2002 Economic Census for Orange County.<sup>16</sup> Based on this analysis, we determined that art gallery sales accounted for approximately 1% of total sales in the Specialty/Other category for Orange County in 2001. TNDG applied this percentage to total Specialty demand (resident and visitor combined), and projected the Downtown's capture rate at 5-7%. Based on findings of the retail demand analysis, TNDG estimates that the downtown area could support approximately 2,000 to 3,000 square feet of art gallery space by 2012, with this amount increasing to approximately 3,000 to 4,000 square feet by 2025.

<sup>16</sup> This is the most recent Economic Census available from the U.S. Census Bureau.

## **V. OFFICE DEMAND ANALYSIS**

### **Employment Projection Analysis**

Projections of office space demand are based on employment growth by industry category, using factors that assign percentages of office-based employment to each sector. To examine both the existing employment distribution by industry and projected trends, we compiled previous employment data for prior years, and employment projection data to 2025. Since recently updated projections from SCAG became available since the first draft of this report was prepared, we applied the new data to the analysis for this final version.

A combination of new SCAG employment-projection figures (total employment only) and other SCAG data on employment by industry sector were analyzed to project employment by sector for the County, for the relevant future years. The projection-model figures were adjusted to reconcile the different sector designations included in the employment-by-sector figures and the SCAG projections.

Notable trends in the projection figures include a decrease in jobs within the manufacturing sector, with decreases of 4 percentage points between 2002-2025, while leisure and hospitality services, health and education and professional services are each projected to increase between 1.5 and 3 percentage points between 2002-2025 (See Table V-1).

Updated SCAG employment projections for the Huntington Beach Downtown Study Area (DSA) were compiled to use as a way to calibrate our estimates of what Downtown Huntington Beach could reasonably capture out of the total demand for new office space in all of Orange County. Growth figures for the County and DSA are shown on Table V-2.

For purposes of allocating office employment (as a subset of total employment) to the Downtown, we assumed that the percentage of office-based employment to total employment would be higher than the percentage for the overall County, in that manufacturing employment would be minimal, for example. Table V-3 shows the absolute numbers for office and other employment in the DSA.



**Table V-1:  
Projected Employment by Industry (as a % of total jobs)  
Orange County**

	<b>% of all non-farm industries</b>		
<b>Industry Group</b>	<b>2002</b>	<b>2010</b>	<b>2025</b>
Natural Resources & Mining (disregarded – negligible amounts)			
Construction	5.65%	6.85%	4.99%
Manufacturing	13.62%	11.13%	9.67%
Wholesale Trade	6.90%	6.58%	6.81%
Retail Trade	9.79%	9.59%	9.79%
Transportation & Utilities	2.05%	1.87%	1.98%
Information	2.63%	2.47%	2.95%
Financial Activities	7.87%	9.29%	8.13%
Professional & Business Services	17.76%	18.50%	20.45%
Educational & Health Services	8.45%	9.34%	10.55%
Leisure & Hospitality	11.09%	11.30%	12.65%
Other Services	3.10%	3.10%	3.10%
Government	11.09%	9.98%	8.93%
Total Nonfarm	100.00%	100.00%	100.00%
Source: Southern California Association of Governments (SCAG); TNDG			

**Table V-2:  
Orange County and DSA\* Employment Comparison**

	<b>2005-08</b>	<b>2008-10</b>	<b>2010-15</b>	<b>2015-20</b>	<b>2020-25</b>
Orange County - Absolute Emp Change	83,539	55,693	82,605	59,581	35,706
DSA - Absolute Emp Change	714	476	651	116	46
OC - % Employment Change	5.17%	3.28%	4.71%	3.24%	1.88%
DSA - % Employment Change	12.61%	7.47%	9.50%	1.55%	0.60%
*includes four census tracts in the downtown area (099306,099307,099309,099311)					

	<b>2008</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
DSA - % of total Jobs in Orange County	0.38%	0.39%	0.41%	0.40%	0.40%
Source: SCAG; TNDG					

**Table V-3:  
Office Employment Comparison**

	<b>2008</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
Orange County - office %	24.7%	25.1%	25.3%	25.4%	25.6%
DSA - Projected office jobs*	2,189	2,382	2,604	2,639	2,651
DSA - Projected non-office jobs	4,186	4,469	4,898	4,979	5,013
*Assumed office share, for HB Downtown based on County's employment in Office and "Other" plus 10% of Industrial					
Source: TNDG					

## **Overview of Forecasting Methodology**

This analysis uses Countywide employment growth as the initial basis for estimating demand for new office space in Downtown Huntington Beach. Demand is generated by growth in existing firms and formation of new firms. The analysis projects the total “pool” of potential demand for new office space in Downtown Huntington Beach using the following methodology:

- Project Orange County employment growth (by major industry sector) for the period 2008 through 2025 (Table V-4);
- Project the allocation of these future jobs by land use category (i.e., the number of employees that will be located in office space, the number of employees that will be located in industrial space, the number of employees that will be located in retail space, etc.). See Table IV-5 and Table IV-6.
- Translate Huntington’s employment projections for office users into demand for new office space based on a standard employee-per-square-foot factor.

Data on employment by industry sector make possible the allocation of the workforce to office-using space. The employees in each industry sector were allocated to the following major space-using categories:

- Office
- Industrial
- Other Commercial
- Other, Non-Building

TNDG has prepared sub-area projections of demand for new office in the DSA based on two-step process, with a “high” and “low” increment:

**Step I:** A “baseline-driven” analysis based on a continuation of historic trends; i.e., the DSA continues to capture its existing share of overall County office employment. See Table V-7.

The “low” scenario represents a continuation of historic trends; and  
The “high” scenario doubles the existing share.

**Step II:** Projections based on Downtown “catching up” to the distribution of office space per capita that pertains to a larger area surrounding it (comparing per capita office space in a one-mile radius to that in a five-mile radius from Downtown). The “low” and “high” versions of this projection simply add the “residual deficit,” or Downtown’s current lag in office space per capita, to the Step 1 I low and high values.

**Table V-4:  
Employment Projections – Orange County**

Industry Group	2005	2010	2015	2020	2025
Natural Resources & Mining	(disregarded – negligible amounts)				
Construction	98,602	120,216	114,561	106,596	96,704
Manufacturing	204,974	195,283	196,658	194,964	190,412
Wholesale Trade	109,572	115,465	122,449	128,018	132,056
Retail Trade	156,976	168,375	177,190	183,853	188,250
Transportation & Utilities	32,034	32,855	35,291	37,353	38,991
Information	41,517	43,408	47,675	51,516	54,825
Financial Activities	135,712	162,972	164,502	163,497	160,116
Professional & Business Services	291,485	324,746	348,527	368,599	384,473
Educational & Health Services	141,962	163,951	178,881	192,129	203,333
Leisure & Hospitality	180,505	198,329	216,475	232,590	246,235
Other Services	50,107	54,424	56,986	58,833	59,940
Government	172,504	175,156	178,592	179,418	177,738
Total Nonfarm	1,615,936	1,755,167	1,837,771	1,897,352	1,933,058
Source: SCAG; TNDG					

Table V-5 below illustrates the distribution, by percent, of space type by industry sector. The figures are based on industry averages are not geographic-specific.

**Table V-5:  
Allocation of Employment – Huntington Beach**

Industry Group	Office Space	Industrial Space	Other	Total
Natural Resources & Mining	0.0%	95.0%	5.0%	100.0%
Construction	5.0%	75.0%	20.0%	100.0%
Manufacturing	0.0%	100.0%	0.0%	100.0%
Wholesale Trade	10.0%	90.0%	0.0%	100.0%
Retail Trade	0.0%	10.0%	90.0%	100.0%
Transportation & Utilities	0.0%	90.0%	10.0%	100.0%
Information	65.0%	30.0%	5.0%	100.0%
Financial Activities	90.0%	0.0%	10.0%	100.0%
Professional & Business	60.0%	20.0%	20.0%	100.0%
Educational & Health Services	25.0%	0.0%	75.0%	100.0%
Leisure & Hospitality	5.0%	0.0%	95.0%	100.0%
Other Services	5.0%	50.0%	45.0%	100.0%
Government	0.0%	0.0%	100.0%	100.0%
Source: TNDG				

Table V-6 below, shows the projected number of employees within the office land use category in Huntington Beach.

**Table V-6:  
Projected Employment by Land Use Category**

	2008	2010	2015	2020	2025
Office Employment	419,322	440,920	464,523	482,527	494,608
Source: TNDG					

Table V-7, below, shows the projected cumulative change in office employment by time period in Downtown Huntington Beach. As show in the table, Downtown is projected to add between 489 and 979 employees between 2008 and 2025, under the relatively conservative assumptions of Scenario 1, as described above.

**Table V-7:  
Projected Cumulative Change in Employment**

	2008-2010	2015	2020	2025
Office Employment (Scenario I)				
Low	140	294	411	489
High	281	588	822	979
Source: TNDG				

Table V-8, on the following page, shows the demand for new office space in Orange County and Downtown Huntington Beach through 2025. The demand projections for the County are based on the employment forecasts (shown in Table V-6 and Table V-7) and a standard employment density factor for office space. The projections are then adjusted to account for a stabilized vacancy rate of 8 percent. After calculating the demand for new office space in the overall County, the model then projects the share of this total demand that could potentially be developed in the DSA, based on the scenarios described above.

Planned and pending projects include planned office space at the Strand (23,584 square feet), Pacific City (31,542 square feet) and Pierside Pavilion (90,000 square feet in two phases). Under Scenario I, Low, demand for new space would not occur until well after 2025. Under the most aggressive scenario (Scenario II, High), demand for new space exceeds 140,000 square feet by 2015 (and by implication net demand would already exist in 2008; however the strategic-planning implications of an aggressive office capture rate must be considered, as discussed above under Potential Future Development Scenarios).

**Table V-8: Cumulative Office Space Demand in Square Feet**

		Square Feet per Employee:		240		
		Cumulative Demand in Square Feet (SF)				
OFFICE SPACE FACTORS		2008-10	2015	2020	2025	Avg/Yr
Baseline Demand based on existing proportions of employment						
New Occupied Office Space, OC		5,183,461	10,848,174	15,169,186	18,068,453	1,062,850
Construction Demand @ /1	108%	5,598,138	11,716,028	16,382,721	19,513,929	1,147,878
-- Downtown HB Share @	0.65%					
Cum. Growth in office employees		140	294	411	489	
Square feet cum. demand		36,388	76,154	106,488	126,841	7,461
-- Downtown HB Share @	1.30%					
Cum. Growth in office employees		281	588	822	979	
Square feet cum. demand		72,776	152,308	212,975	253,681	14,922
Forecast - "Residual" demand based on office space per capita:						
Orange County	40.4					
5-mile radius	20.7					
1-mile radius	11.7					
"Deficit" in 1-mile area based on						
benchmark for 5-mile area:	9.0					
Population in 1-mile area:	20,275					
Residual demand in 1-mile area:	182,475					
Percent capturable:	75%					
Capturable demand:	136,856					
Adjusted Total Demand:			2015	2020	2025	
Low			213,010	243,344	263,697	
High			289,165	349,832	390,537	
Planned & Pending Projects /2		95,126	50,000			
Cumulative Square Feet Planned		95,126	145,126	145,126	145,126	
Net Supportable Square Feet, Low	(note 3)		67,884	98,218	118,571	
Net Supportable Square Feet, High			144,039	204,706	245,411	
Notes:						
1. Construction Demand allows for 92% stabilized occupancy rate.						
2. Strand, Pacific City, & Pierside Pavilion						
3. The nature of this projection scenario results in unrealistic demand projections for near-future years.						
Source: TNDG						

## VI. RESIDENTIAL DEMAND ANALYSIS

### Downtown Housing Stock

Historic housing composition from 2000 Census figures was examined for three different geographic areas: the Downtown Study Area (DSA)<sup>17</sup>, the DSA plus additional census tracts located along the periphery, and the City of Huntington Beach. The results are shown on Table VI-1. Single housing (either detached or attached) accounted for 51.5 percent of the DSA's housing base in 2000. The DSA has the highest percentage of duplexes (4.7%) and overall (year 2000) vacancy rates (4.4%) among the three geographical areas. In addition, over one-third (36.2%) of the housing facilities in the DSA contain three or more "units in structure," which is higher than the City percentage but below the percentage for the periphery. (The other units are mobile homes and the like.)

**Table VI-1: Comparative Housing Analysis**

	<b>Total</b>	<b>% Vacant</b>	<b>% Owner occupied</b>	<b>% Renter occupied</b>	<b>Single housing units</b>	<b>Duplexes</b>	<b>+3 Units in Structure</b>
<b>DSA</b>	7,742	4.4%	50.0%	50.0%	3,984	367	2,801
<i>% of total</i>					51.5%	4.7%	36.2%
<b>DSA Periphery</b>	18,219	3.3%	51.0%	49.0%	9,333	470	7,220
<i>% of total</i>					51.2%	2.6%	39.6%
<b>City of Huntington Beach</b>	75,793	2.6%	51.6%	48.4%	46,478	995	25,174
<i>% of total</i>					61.3%	1.3%	33.2%

In other Orange County cities and the county as a whole, multi-family units have increased their share of total housing since 2000, as the building permit data on Table VI-2 indicates. In Costa Mesa and Irvine, multi-family permits exceeded 70 percent of total residential permits for the period 2004-2007, and for Irvine, also for the period 2000-2007. For the county, Irvine, and Costa Mesa, the period 2004-2007 saw multi-family as a higher percentage of total permits than the 2000-2007 period. In other words, the trend to multi-family was growing stronger. However, Huntington Beach has exhibited the opposite trend in every respect. For 2000-2007, multi-family was only 26 percent of the total, and 21.5 percent for 2004-2007. In both periods, the percentage of multi-family permits was less than the existing percentage of multi-family in the city in 2000. The numbers suggest that Huntington Beach might be due for some form of catch-up with the other cities in the trend toward increased multi-family housing.

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<sup>17</sup> The DSA was matched as closely as possible, following census tracts boundaries, with the area of focus within the City of Huntington Beach Specific Plan.

**Table VI-2:  
Residential Building Permits, 2000-2007  
Orange County and Selected Cities  
Single-Family and Multifamily Units**

Year	Huntington Beach			Newport Beach			Costa Mesa			Irvine			Orange County Total		
	SF	MF	% MF	SF	MF	% MF	SF	MF	% MF	SF	MF	% MF	SF	MF	% MF
2000	427	6	1.4%	118	205	63.5%	39	0	0.0%	1,138	2,912	71.9%	6,794	5,573	45.1%
2001	378	62	14.1%	164	75	31.4%	87	0	0.0%	1,362	685	33.5%	5,925	2,721	31.5%
2002	242	322	57.1%	123	42	25.5%	1	0	0.0%	1,006	2,439	70.8%	6,423	5,597	46.6%
2003	132	59	30.9%	142	40	22.0%	85	0	0.0%	1,062	1,742	62.1%	5,565	3,746	40.2%
2004	191	85	30.8%	100	231	69.8%	61	4	6.2%	943	2,926	75.6%	4,395	4,927	52.9%
2005	125	40	24.2%	141	34	19.4%	66	32	32.7%	1,157	1,687	59.3%	4,058	3,148	43.7%
2006	106	0	0.0%	126	34	21.3%	82	6	6.8%	584	2,946	83.5%	3,735	4,636	55.4%
2007	50	4	7.4%	105	36	25.5%	34	552	94.2%	230	2,306	90.9%	2,168	4,894	69.3%
Avg., 2000-07	206	72	25.9%	127	87	40.6%	57	74	56.6%	935	2,205	70.2%	4,883	4,405	47.4%
Avg., 2000-03	295	112	27.6%	137	91	39.8%	53	-	0.0%	1,142	1,945	63.0%	6,177	4,409	41.7%
Avg., 2004-07	118	32	21.5%	118	84	41.5%	61	149	71.0%	729	2,466	77.2%	3,589	4,401	55.1%
<p>Notes: SF = Single-Family MF = Multi-Family</p> <p>Source: Construction Industry Research Board (CIRB); The Natelson Dale Group (TNDG)</p>															

## ***Pacific City***

The planned Pacific City project, located within the Downtown Huntington area, consists of a 17.2 acre residential village. This low density, two-story residential development consists of 516 units ranging from 999 to 2,019 square feet, yielding a density of 30 units per acre.

In their market analysis for Pacific City, Market Profiles, Inc. stated that Huntington Beach could absorb, under stabilized (no pent-up) demand conditions, approximately 1,180 housing units per year, 65 percent of which would be for-sale units. This is far in excess of the 327 households per year (average over 5 years) projected for Huntington Beach by SCAG for the 2005-2010 period, and the 97 households per year for 2010-2015. However, Market Profiles asserts that Huntington Beach and Orange County could have more residential growth if the housing could be supplied, but that lack of available and affordable land curtails this development. There is already pent-up demand for new homes, according to Market Profiles. According to the *Orange County Forecast for 2008*,<sup>18</sup> “land constraints in many cities of Orange County have lead to more investment in renovation of older residential developments. . .” The report notes however that this activity is also decreasing with the general downturn in the housing market.

The argument for pent-up demand would appear to have merit by other measures. Orange County’s projected employment growth is considerably greater than the growth in households. For example, from 2010 to 2015, the County is projected to add 82,604 jobs, which at the ratio of 1.62 jobs per household (the existing ratio as of 2005), that number of jobs would be tied to 50,990 households, but the County is only slated to grow by 32,609 households, according to SCAG. In Huntington Beach, the pattern is similar; for 2010 to 2015, employment growth would suggest 594 new households per year on average for 2010-2015 (at the County’s ratio), rather than the projected 97 per year.

Market Profiles, Inc. projected a capture rate for Pacific City equivalent to 20 percent of Huntington Beach’s projected growth, based on the project’s attributes. Twenty percent seems like an aggressive capture rate, but Market Profiles’ data indicate that there are only three active new-home developments in Huntington Beach, including Pacific City, and Pacific City accounts for almost half of the total units in the three projects, so in that light the capture rate is reasonable and possibly even conservative.

Given these market conditions, new housing in Downtown could be readily absorbed to the extent the affordability, product mix, etc. are maximized. It is our understanding that there is a preference for limiting residential development Downtown to high-density configurations. Consistent with that assumption, if Downtown housing is limited to high density, there could be some market resistance based on traditional preferences for single family units, and densities higher than the 30 units per acre in Pacific City could

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<sup>18</sup> UCLA Anderson Forecast. October 2007. Page 80.



meet with further resistance. However, the trend toward favoring urban living lifestyles will offset at least some of this.

### **Projected Demand**

Any assessment of housing demand conducted under the circumstances of a depressed housing market, which is in effect as this report is written, must be prefaced by an acknowledgement of these unusual conditions. Since these effects are widespread across the U.S., widely discussed in other contemporary reports, and unpredictable in terms of any long-term effects on housing demand, we will not address the market downturn here. The following discussion assumes that conditions will stabilize over the next 3 to 5 years, beginning no more than two years from now, and with minimal fundamental changes in demand patterns. However, as noted above, some trends in changing preferences for certain kinds of housing, particularly higher-density and “urban living,” were already in effect prior to the current downturn in housing.

The issue of pent-up demand further complicates the issue of how current depressed market conditions will affect projections for Huntington Beach, especially on a long-term basis. In fact, current market conditions may add to pent-up demand, as households put moving plans on hold until they perceive the market to be moving toward stability.

The demand scenarios and figures shown below should therefore be viewed as long-term, and taking current housing market conditions into account only indirectly. The first two scenarios use alternative but conventional approaches to this type of projection. The third is a more aggressive approach, provided as a benchmark for how assumptions of this type would translate into future housing activity Downtown.

Table VI-3, on page 47, shows two conventional data-driven scenarios for projecting housing demand in the Downtown, and one (#3) more aggressive scenario:

1. Taking the “official” projections of households for the four Census tracts comprising the Downtown Study Area, as generated by SCAG.
2. Taking projected *employment* for the City generated by SCAG, converting the employment numbers to the theoretical number of associated households based on historic ratios of employees to households, and applying a Downtown-area capture rate consistent with the Downtown’s historic capture rate of citywide development.
3. City-wide demand is derived from the Market Profiles Residential Product and Pricing Study for Pacific City. Market Profiles’ assumptions of city-wide demand are applied through 2012 only; and future years are factored downward to reflect changes in growth rates for future 5-year periods as reflected in the SCAG projections.

These three approaches and their results illustrate the challenge of meaningfully projecting residential demand based on traditional or even unconventional approaches. As such, these projections should be considered as alternative but not necessarily definitive ways to assess demand. Other methods would be, for example, to examine more closely the extent to which restrictions on supply are curtaining housing growth and derive appropriate factors to account for such effects.

### **Demand for “Urban Living” Residential Products**

As noted above, over the past few years a substantial number of urban-style living residential developments, with shops and restaurants adjacent to new homes, were built in the County. However, based on our discussions with developers active in this market, the next three to four years will be extremely difficult, given the current depressed residential real estate market. At this time, there is virtually no financing available for urban-style living “for sale” projects from lending institutions or institutional equity partners – the two primary sources for financing this type of residential development.<sup>19</sup> There is still financing available for the rental market, however. In fact, in response to the depressed residential real estate market, many recently developed high-density condo projects in Orange County are being converted to rental apartment units.<sup>20</sup> Based on current construction costs, urban-style 3- to 4-story apartment complexes (with ground floor retail) are generally considered to be feasible in today’s market. However, as discussed in Chapter VIII of this report, apartment development (especially in a redevelopment context) tends to be less feasible in a high land value area such as downtown Huntington Beach.

The long-term forces driving demand for urban-style residential development are well known – high gas prices, increasing traffic congestion and commute times that reduce leisure time, cultural amenities found in urban environments, less desire for home maintenance responsibilities, etc. This suggests that demand for urban-style living will continue to increase once the residential market rebounds from its current depressed state.

One project in Santa Ana – the “City Place” – suggests that the loft style live-work format holds the most promise for future urban-style residential developments. This project, completed in 2007, includes 185 residential units, along with 60,000 square feet of retail space, in three formats: 3-story condominium units, townhomes, and live/work lofts. Reflecting the current depressed housing market, only 40 units have been sold. To the developer’s surprise, however, 37 of the 40 sold units have been the live/work

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<sup>19</sup> Based on information from Jeff Diltz, Vice President, Development and Acquisitions, Windstar Communities. Windstar Communities is the developer of the Stadium Lofts project in the Platinum Triangle near Angel Stadium in Anaheim.

<sup>20</sup> For example, projects in Anaheim’s Platinum Triangle, including AvalonBay Communities, Inc. (251-unit mixed use project) and Hanover Co. (265-unit project) and Irvine Business Complex, including Shea Homes (179-unit project) and John Laing Homes (248-unit project). In addition, Lennar Corp. is currently considering converting its proposed A-Town Metro project near Angel stadium, originally approved for 2,681 dwelling units (including townhouses, live/work lofts and residential towers), to apartments. See “As condo sales stall, some O.C. projects are switched to apartments” by Marry Ann Milbourn in The Orange County Register. March 2, 2008.

loft units, by far the most popular of the three concepts. These loft units average 1,700 square feet with 500 ground floor space which can be used for commercial purposes.<sup>21</sup>

According to the developer of this project, approximately 90% of the loft purchasers use the lofts for their personal business. The types of businesses are wide ranging: a cigar shop, clothing, store, jewelry shop, self-employed professionals (attorney, consultant), etc.

**Table VI-3:  
Projected Demand for Downtown Housing under Three Scenarios**

	2000	2005	2008 (est.)	2010	2015	2020	2025
<b>Scenario 1.</b>							
<b>SCAG Household Projections</b>							
SCAG projections for Downtown Census tracts (change per period)				573	54	63	96
Cumulative Growth in Households:				573	627	690	786
Cumulative Demand for New Housing Units /1:				<b>603</b>	<b>660</b>	<b>726</b>	<b>827</b>
<b>Scenario 2.</b>							
<b>Employment-based alternative projection scenario</b>							
Employment in City, per SCAG	77,593	81,599	87,856	92,028	96,842	98,226	98,752
Change per period				4,172	4,814	1,384	526
Theoretical new households based on ratio of employees to households, of: 3/	1.33			3,137	3,620	1,041	395
Cumulative Growth in Households:				3,137	6,756	7,797	8,192
Cumulative Demand for New Housing Units /1:				3,302	7,112	8,207	8,623
Downtown share, at: 11% /2				<b>363</b>	<b>782</b>	<b>903</b>	<b>949</b>
<b>Scenario 3.</b>							
<b>New demand derived from Market Profiles study for Pacific City /4</b>							
Change per period				2,358	4,466	4,124	3,719
Cumulative Growth in Households:				2,358	6,824	10,948	14,667
Cumulative Demand for New Housing Units /1:				2,482	7,183	11,524	15,439
Downtown share, at: 11% /2				<b>273</b>	<b>790</b>	<b>1,268</b>	<b>1,698</b>
<b>Notes:</b>							
1. Assumes a natural vacancy rate of 5%.							
2. Based on historic shares for the Downtown Census tracts.							
3. The midpoint of employees per household in Huntington Beach (1.05) and Orange County (1.62).							
4. Through 2012 only; future years are factored to reflect changes in growth rates per SCAG.							

<sup>21</sup> Information provided by Bill Hammerstein, President, Hammerstein Investments. Hammerstein and Bisno Development were co-developers of the project. In 2006, there were 190 reservations for the units, but approximately 150 buyers backed out as the market slowed (many were speculators). The developer estimates that it will take at least two years to sell the remaining units.

## **VII. REVIEW OF DEMAND FOR HOTELS AND BED & BREAKFASTS**

For “destination” cities such as Huntington Beach, the market for hotel use is essentially unlimited in a geographic sense. In practice as well, destination cities and individual hotels market their facilities nationally if not internationally. Demand for hotel rooms in any given coastal city is a function of the city’s appeal relative to other nearby coastal competitive cities. Relevant factors in competitiveness include the overall attractiveness of the community, amenities and specific attractions, the base of other tourist-serving businesses such as destination retail, restaurants, etc., and the functionality of the city in terms of, for example, being able to go to desired places easily and the management of congestion, crime, and litter.

To place estimates of demand for hotel space in Huntington Beach in perspective, TNDG compared figures for hotel supply and demand in Orange County with data on anticipated increases in supply in Huntington Beach, as shown on Table VII-1 on the following page. Using this comparison as a basis for projecting Huntington Beach’s future share of hotel demand, the city could theoretically support another 1,500 to 2,500 hotel rooms (in addition to the anticipated major projects of the W Hotel, Shorebreak, and Hilton expansion) between 2012 and 2025.

However, the practical limit on the number of future hotel rooms is most likely to be based on land supply constraints. Opportunities for new development and even redevelopment at suitable sites near the coast are limited.

In the course of this assignment TNDG also investigated, at the RRM’s request, the potential for Bed & Breakfast development. The interest in this use was based in part on the notion that B&Bs could be a practical element in a redevelopment project by virtue of their suitable scale, and such uses would complement other tourist businesses. Our review of demand for B&Bs was based on a preliminary inventory of this type of business activity in adjacent cities, and review of financial feasibility as discussed elsewhere in this report.

Based on local directories, there are only three facilities classified as Bed & Breakfasts in Laguna Beach and Newport Beach combined. These three have a combined room count of 53 units, and the one facility with 25 rooms makes it rather large for a B&B. There are also two “guest cottages” that could be included in a general category of Bed & Breakfast; but even at that the number of facilities is small. According to the directories, B&Bs in Laguna Beach have room rates of \$150-\$550. At an on-beach facility in Newport Beach, rates are \$249-\$429. For purposes of our pro forma analysis, we assumed that room rates would not exceed those of the hypothetical hotel also included in the pro forma analysis. As discussed in the pro forma section, the practical limit of B&B development might relate more to their relatively unpredictable profitability than to their suitability for Downtown Huntington Beach.

**Table VII-1:  
Theoretical Demand for New Hotel Development  
City of Huntington Beach: 2008-2030**

<b>Hotel Variable</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2012</b>	<b>2016</b>	<b>2020</b>	<b>2025</b>
Room Supply, Orange County	52,478	51,730	52,276	52,457					
Room Demand, Orange County /1	36,462	38,463	37,976	37,952	39,090	43,996	49,518	55,733	64,610
Supportable Supply, Orange County /2	52,089	54,947	54,252	54,217	55,843	62,852	70,741	79,619	92,300
Cumulative Increase in Supportable Supply (County), 2004-2025		2,859	2,164	2,128	3,755	10,763	18,652	27,531	40,212
Huntington Beach - Total Increase in Supply, 2004-2012						491			
W Hotel						165			
Shorebreak						168			
Hilton Expansion						158			
Huntington Beach - Percent of Supportable Supply Increase (2004-12)						4.6%			
						<b>2012</b>	<b>2016</b>	<b>2020</b>	<b>2025</b>
Huntington Beach Share @ 5% (gross)						538	933	1,377	2,011
Huntington Beach Share @ 5% (net of planned)						47	442	886	1,520
Huntington Beach Share @ 7.5% (gross)						807	1,399	2,065	3,016
Huntington Beach Share @ 7.5% (net of planned)						316	908	1,574	2,525
<b><u>Estimated Demand for Bed &amp; Breakfast (B&amp;B) Rooms</u></b>									
B&B demand @ 5% of gross hotel demand (low scenario):						27	47	69	101
B&B demand @ 5% of gross hotel demand (high scenario):						40	70	103	151
<b>Notes</b>									
1. Annual room demand growth: 2008-25 @	3.0%								
2. At stabilized occupancy rate of	70.0%								
Source: Smith Travel Research; TNDG									

## VIII. FINANCIAL FEASIBILITY ANALYSIS

In order to assess, at a preliminary level, the financial feasibility of redevelopment of underutilized properties in Downtown Huntington Beach, TNDG prepared a series of analysis models for hypothetical redevelopment scenarios based on prototypes developed by RRM. The models combined data on land costs, floor-area-ratios (FAR), parcel sizes (using actual parcels as project examples), building costs, parking requirements, potential building rents and sale prices (for condominiums), and potential development value based on projected cash flows.

The evaluated prototypes included three mixed-use projects and one hotel project. The mixed-use projects included retail, restaurants, and office (one project) and/or condominiums (two projects), with one project having a bed & breakfast component as an option. Data for the assessments came from a variety of sources, including RRM Design Group (design configurations, parcel data including existing development at specific case-study sites, parking requirements, and cost estimates), construction cost estimating websites, and our internal data on development cost and project operational costs and other information.

Assessments of this type are subject to many cost/profitability factors, and results should be viewed as providing preliminary and general indications only. The particular circumstances that pertain to specific sites, owner/developer motivations and efficiencies, shifting market conditions, functionality of projects, and the like, each affect, sometimes significantly, the “bottom line” of such projects. As such, there are an almost infinite number of combinations of input values and, consequently, analysis results that pertain to assessments of this type. In the discussion that follows, the pro forma assessments assume that all uses are equally leasable/saleable within the market – an assumption that focuses the analysis on the relative profitability of individual uses, but is not necessarily accurate from the standpoint of a development business plan.

The results of the assessments, in general terms, indicate the following:

- Parking requirements, along with the need to place much of the parking underground, are a significant challenge to profitability of these projects. The high parking ratio that applies to restaurants is particularly challenging for that use; consequently, retail tends to be more profitable than restaurants. In this regard, the option for developers to pay in-lieu fees to the City instead of actually building underground parking at roughly twice the cost per space as the in-lieu fees, improves profitability considerably.
- Office is generally more profitable than retail, due lower operating costs and more favorable capitalization rates.
- The pattern of current land prices suggests (preliminarily, as we have not analyzed this issue comprehensively) that residential use is perhaps more valuable than commercial, which creates an additional burden for prospective redevelopers.

- A hotel development should be profitable in a redevelopment scenario, but this use has perhaps the widest range of potential variation to input values, so any generalization should be considered in that regard.
- Development of bed & breakfast facilities is challenging based on typical performance factors for this type of project. While there is virtually no such thing as a “typical” B&B, they tend to have lower occupancy rates than hotels, and are very owner-specific in terms of acceptable rates of return, etc. Owners/operators of such facilities are not necessarily as focused on profitability as on a career lifestyle.
- The residential units tend to be infeasible as apartments, but condominium sales should yield very satisfactory returns – perhaps better than any of the commercial uses. This conclusion regarding the financial attractiveness of condominium development would not likely apply under current housing market conditions, but – consistent with the long range focus of this planning effort – TNDG has assumed that the evaluated redevelopment scenarios would occur in several years once the market has returned to more normal conditions.

Table VIII-1 on the following page summarizes TNDG’s financial evaluation of the following development prototypes:

- Prototype 1a – retail and restaurant;
- Prototype 1b – Prototype 1a is modified to include a bed and breakfast component (commercial space is reduced to accommodate the B&B units);
- Prototype 2 – retail, restaurant and condominiums;
- Prototype 3 – retail, restaurant, office and condominiums; and
- A stand-alone hotel development.

For each prototype, TNDG has evaluated two scenarios regarding the portion of a project’s parking requirement that would need to be satisfied onsite (versus offsite via parking in-lieu fees):

- Parking Scenario A: Reduces onsite parking to a level that would allow the project to achieve a 15% gross profit margin;
- Parking Scenario B: Assumes that 100% of retail, restaurant and office parking could be satisfied offsite.

**Table VIII-1:  
Summary of Financial Feasibility Analysis  
Redevelopment Prototypes  
Downtown Huntington Beach Specific Plan**

	Prototype 1a	Prototype 1b	Prototype 2	Prototype 3	Hotel Prototype
<b>Site Assumptions:</b>					
Site size (acres)	0.387	0.387	0.864	1.069	1.635
FAR	2.000	2.000	2.100	1.954	2.000
<b>Development by Land Use:</b>					
Retail (square feet)	20,229	16,352	43,469	15,015	n/a
Restaurant (square feet)	13,486	11,463	10,275	2,548	n/a
Office (square feet)	n/a	n/a	n/a	22,477	n/a
Condominiums (dwelling units)	n/a	n/a	28	57	n/a
Hotel (rooms)	n/a	n/a	n/a	n/a	237
B&B (rooms)	n/a	9	n/a	n/a	n/a
<b>Offsite (in-lieu) Parking <sup>22</sup></b>					
Parking Scenario A	91%	98%	69%	0%	n/a
Parking Scenario B	100%	100%	100%	100%	
<b>Gross Profit Margin <sup>23</sup></b>					
Parking Scenario A	15%	15%	15%	16%	25%
Parking Scenario B	17%	16%	19%	24%	
Source: The Natelson Dale Group, Inc.					

<sup>22</sup>Indicates the percentage of a project's parking requirement that could be satisfied via parking in-lieu fees. The percentages apply only to retail, restaurant and office parking. All residential and hotel parking is assumed to be onsite; B&B parking is assumed to be 50% onsite.

<sup>23</sup> For purposes of this analysis, the gross profit margin is defined as the percentage difference between total development costs (including all land, hard and soft costs) and the post-development value of the project.



The parking scenarios assume that the potential offsite parking would only apply to retail, restaurant and office parking. All residential and hotel parking is assumed to be supplied onsite (except for B&B parking, as noted on Table VIII-1).

The profitability of each prototype has been measured in terms of a simple gross profit margin. For purposes of this analysis, the gross profit margin is defined as the percentage difference between total development costs (including all land, hard and soft costs) and the post-development value of the project. The post-development value of each project has been estimated based on projected cash flows and standard capitalization rates<sup>24</sup> for each land use.

Redevelopment in an established area poses several challenges from a financial feasibility perspective. Owners of existing, relatively successful income properties may not be highly motivated to incur the cost and risk associated with redeveloping their sites unless the potential financial gains are substantial. At the same time, the presence of successful existing development tends to result in relatively high land values, making redevelopment a costly proposition for prospective developers. In an upscale beach setting such as Huntington Beach, the challenge of high land values is exacerbated by the demand for residential land (where the value of a single-family home can in some cases support underlying land prices of \$300 per square foot or more).

Given the above challenges, TNDG believes that a redevelopment project would need to achieve a minimum gross profit margin in the range of 15-20% to be financially attractive to a developer. Projects generating a lower profit margin would likely be infeasible in this setting. Based on a “threshold” profit margin of 15-20%, TNDG’s pro forma analysis indicates the following conclusions relative to the evaluated prototypes. These conclusions focus on parking requirements and options since parking is a major cost component, the option to “offsite” parking provides a major cost savings, and this element of cost is something the City can directly affect. As noted below and elsewhere in this report, profitability is affected by many different factors, some of which could also be potentially influenced by City policy.

- For Prototype 1a, 91% of retail/restaurant parking would need to be developed offsite (via the in-lieu fee program) in order for redevelopment to be feasible.
- For Prototype 1b, virtually all (98%) of retail/restaurant parking would need to be developed offsite in order for redevelopment to be feasible.
- For Prototype 2, redevelopment would meet the minimum 15% profit margin if 69% of retail/restaurant parking were developed offsite and would generate a 19% profit margin if 100% of retail/restaurant parking were developed offsite.

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<sup>24</sup> Although such rates fluctuate with market conditions, the rates used are based on recent trends and expectations for the future, as expressed in publications of major real estate firms such as Grubb & Ellis and CBRE.

- For Prototype 3 no offsite parking would be necessary to meet the minimum profitability threshold, with the prototype achieving a 16% profit margin even if all parking were developed on site (in this case the additional profitability associated with condominium development would in effect “subsidize” the retail and restaurant parking costs). However, the project would be significantly more attractive to a developer if retail/restaurant parking were allowed to be developed offsite.
- For the hotel prototype, the project – under the conditions assumed in this pro forma – would be highly profitable even if all parking were required to be developed on site.

It should be emphasized that the feasibility of a given project is highly dependent on the price a developer pays for a site. Although it was beyond the scope of this study to comprehensively evaluate potential land values in downtown Huntington Beach, a review of recent sales in the vicinity indicates an approximate land value range of \$150 to \$300 per square foot. Most of the sales are for developed sites where the value is presumed to be related to redevelopment potential (i.e., the sales prices exceed the value associated with the existing uses and it therefore appears that purchasers are paying the high prices with the intent of redeveloping the site with more valuable uses). For purposes of this pro forma analysis, TNDG assumed a land cost of \$200 per square foot.

The detailed pro forma spreadsheets are provided in Appendix C of this report.

## **APPENDIX A**

### **RETAIL DEMAND MODEL (AGGRESSIVE MARKET SHARE SCENARIO)**

**Table A-1**  
**Projected Number of Households**  
**Downtown Huntington Beach Retail Trade Area**

Area	2007	2010	2012	2015	2020	2025
Primary Market Area (1-mile radius)	9,567	9,794	9,948	10,249	10,772	11,322
Secondary Market Area (1-5 mile ring)	92,560	94,301	95,480	96,919	99,367	101,876
Total	102,127	104,095	105,428	107,169	110,139	113,198

Source: Claritas; The Natelson Dale Group, Inc. (TNDG).

**Table A-2**  
**Average Household Income Projections**  
**Downtown Huntington Beach Retail Trade Area**  
**In 2007 Constant Dollars**

Primary Market Area (1-mile radius)	\$109,057
Secondary Market Area (1-5 mile ring)	\$112,423
Annual Increase Factor	0.00%

Area	2007	2010	2012	2015	2020	2025
Primary Market Area (1-mile radius)	\$109,057	\$109,057	\$109,057	\$109,057	\$109,057	\$109,057
Secondary Market Area (1-5 mile ring)	\$112,423	\$112,423	\$112,423	\$112,423	\$112,423	\$112,423

Source: Claritas; TNDG

**Table A-3**  
**Total Income and Potential Retail Sales Projections**  
**Downtown Huntington Beach Retail Trade Area**  
**In Thousands of 2007 Dollars**

Area	Percent of Income Spent for Retail Goods		PMA	SMA			
	2007	2010	34.0%	33.0%	2015	2020	2025
<b>Total Income:</b>							
Primary Market Area (1-mile radius)	\$1,043,347	\$1,068,082			\$1,117,771	\$1,174,789	\$1,234,715
Secondary Market Area (1-5 mile ring)	\$10,405,887	\$10,601,627			\$10,895,981	\$11,171,118	\$11,453,203
Total	\$11,449,234	\$11,669,710			\$12,013,752	\$12,345,907	\$12,687,918
<b>Potential Retail Sales:</b>							
Primary Market Area (1-mile radius)	\$354,738	\$363,148			\$380,042	\$399,428	\$419,803
Secondary Market Area (1-5 mile ring)	\$3,433,943	\$3,498,537			\$3,595,674	\$3,686,469	\$3,779,557
Total Potential Retail Sales	\$3,788,681	\$3,861,685			\$3,975,716	\$4,085,897	\$4,199,360

Source: TNDG

**Table A-4**  
**Distribution of Retail Sales by Retail Category**  
**Downtown Huntington Beach Retail Trade Area**

<b>Retail Category</b>	<b>%Distribution 2007</b>	<b>%Distribution 2010</b>	<b>%Distribution 2012</b>	<b>%Distribution 2015</b>	<b>%Distribution 2020</b>	<b>%Distribution 2025</b>
<i>Shopper Goods:</i>						
Apparel	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
General Merchandise	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Home Furnishings	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Specialty	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Subtotal	39.00%	39.0%	39.0%	39.0%	39.0%	39.0%
<i>Convenience Goods:</i>						
Food Stores	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Eating and Drinking	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Subtotal	28.00%	28.0%	28.0%	28.0%	28.0%	28.0%
<i>Heavy Commercial Goods:</i>						
Building/ Hardware/ Farm	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Auto Dealers and Parts	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Service Stations	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Subtotal	33.00%	33.0%	33.0%	33.0%	33.0%	33.0%
Total	100.00%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: TNDG, based on historic trends for Orange County reported by the State Board of Equalization

**Table A-5**  
**Projected PMA Demand for Retail Sales by Major Retail Category**  
**Downtown Huntington Beach Retail Trade Area**  
**In Thousands of 2007 Dollars**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	\$17,737	\$18,157	\$18,443	\$19,002	\$19,971	\$20,990
General Merchandise	\$46,116	\$47,209	\$47,952	\$49,405	\$51,926	\$54,574
Furniture/Appliances	\$17,737	\$18,157	\$18,443	\$19,002	\$19,971	\$20,990
Specialty	\$56,758	\$58,104	\$59,018	\$60,807	\$63,908	\$67,168
Subtotal	\$138,348	\$141,628	\$143,857	\$148,216	\$155,777	\$163,723
<i>Convenience Goods:</i>						
Food Stores	\$56,758	\$58,104	\$59,018	\$60,807	\$63,908	\$67,168
Eating and Drinking	\$42,569	\$43,578	\$44,264	\$45,605	\$47,931	\$50,376
Subtotal	\$99,327	\$101,681	\$103,282	\$106,412	\$111,840	\$117,545
<i>Heavy Commercial Goods:</i>						
Building/ Hardware/ Farm	\$24,832	\$25,420	\$25,821	\$26,603	\$27,960	\$29,386
Auto Dealers and Parts	\$63,853	\$65,367	\$66,396	\$68,408	\$71,897	\$75,565
Service Stations	\$28,379	\$29,052	\$29,509	\$30,403	\$31,954	\$33,584
Subtotal	\$117,064	\$119,839	\$121,726	\$125,414	\$131,811	\$138,535
Total	\$354,738	\$363,148	\$368,865	\$380,042	\$399,428	\$419,803

Source: TNDG

**Table A-6**  
**Projected SMA Demand for Retail Sales by Major Retail Category**  
**Downtown Huntington Beach Retail Trade Area**  
**In Thousands of 2007 Dollars**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	\$171,697	\$174,927	\$177,114	\$179,784	\$184,323	\$188,978
General Merchandise	\$446,413	\$454,810	\$460,496	\$467,438	\$479,241	\$491,342
Furniture/Appliances	\$171,697	\$174,927	\$177,114	\$179,784	\$184,323	\$188,978
Specialty	\$549,431	\$559,766	\$566,764	\$575,308	\$589,835	\$604,729
Subtotal	\$1,339,238	\$1,364,429	\$1,381,487	\$1,402,313	\$1,437,723	\$1,474,027
<i>Convenience Goods:</i>						
Food Stores	\$549,431	\$559,766	\$566,764	\$575,308	\$589,835	\$604,729
Eating and Drinking	\$412,073	\$419,824	\$425,073	\$431,481	\$442,376	\$453,547
Subtotal	\$961,504	\$979,590	\$991,837	\$1,006,789	\$1,032,211	\$1,058,276
<i>Heavy Commercial Goods:</i>						
Building/ Hardware/ Farm	\$240,376	\$244,898	\$247,959	\$251,697	\$258,053	\$264,569
Auto Dealers and Parts	\$618,110	\$629,737	\$637,609	\$647,221	\$663,564	\$680,320
Service Stations	\$274,715	\$279,883	\$283,382	\$287,654	\$294,918	\$302,365
Subtotal	\$1,133,201	\$1,154,517	\$1,168,950	\$1,186,572	\$1,216,535	\$1,247,254
Total	\$3,433,943	\$3,498,537	\$3,542,274	\$3,595,674	\$3,686,469	\$3,779,557

Source: TNDG



**Table A-7**  
**Potential Capture Rates of PMA Demand**  
**Downtown Huntington Beach**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	15%	15%	20%	20%	20%	20%
General Merchandise (including drug stores)	5%	10%	10%	10%	10%	10%
Furniture/Appliances	0%	10%	10%	10%	10%	10%
Specialty	15%	15%	20%	20%	20%	20%
<i>Convenience Goods:</i>						
Food Stores	25%	30%	35%	35%	35%	35%
Eating and Drinking	25%	30%	35%	35%	35%	35%

Source: TNDG

**Table A-8**  
**Potential Capture Rates of SMA Demand**  
**Downtown Huntington Beach**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	5.0%	10.0%	12.0%	12.0%	12.0%	12.0%
General Merchandise (including drug stores)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Furniture/Appliances	0.0%	5.0%	6.0%	6.0%	6.0%	6.0%
Specialty	5.0%	10.0%	12.0%	12.0%	12.0%	12.0%
<i>Convenience Goods:</i>						
Food Stores	2.5%	3.0%	4.0%	4.0%	4.0%	4.0%
Eating and Drinking	5.0%	10.0%	12.0%	12.0%	12.0%	12.0%

Source: TNDG

**Table A-9**  
**Potential Capture of Sales from PMA**  
**Downtown Huntington Beach**  
**In Thousands of 2007 Dollars**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	\$2,661	\$2,724	\$3,689	\$3,800	\$3,994	\$4,198
General Merchandise (drug store)	\$2,306	\$4,721	\$4,795	\$4,941	\$5,193	\$5,457
Furniture/Appliances	\$0	\$1,816	\$1,844	\$1,900	\$1,997	\$2,099
Specialty	\$8,514	\$8,716	\$11,804	\$12,161	\$12,782	\$13,434
Subtotal	\$13,480	\$17,976	\$22,132	\$22,803	\$23,966	\$25,188
<i>Convenience Goods:</i>						
Food Stores	\$14,190	\$17,431	\$20,656	\$21,282	\$22,368	\$23,509
Eating and Drinking	\$10,642	\$13,073	\$15,492	\$15,962	\$16,776	\$17,632
Subtotal	\$24,832	\$30,504	\$36,149	\$37,244	\$39,144	\$41,141

Source: TNDG

**Table A-10**  
**Potential Capture of Sales from SMA**  
**Downtown Huntington Beach**  
**In Thousands of 2007 Dollars**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	\$8,585	\$17,493	\$21,254	\$21,574	\$22,119	\$22,677
General Merchandise (drug store)	\$0	\$0	\$0	\$0	\$0	\$0
Furniture/Appliances	\$0	\$8,746	\$10,627	\$10,787	\$11,059	\$11,339
Specialty	\$27,472	\$55,977	\$68,012	\$69,037	\$70,780	\$72,567
Subtotal	\$36,056	\$82,216	\$99,892	\$101,398	\$103,958	\$106,584
<i>Convenience Goods:</i>						
Food Stores	\$13,736	\$16,793	\$22,671	\$23,012	\$23,593	\$24,189
Eating and Drinking	\$20,604	\$41,982	\$51,009	\$51,778	\$53,085	\$54,426
Subtotal	\$34,339	\$58,775	\$73,679	\$74,790	\$76,679	\$78,615

Source: TNDG

**Table A-11**  
**Potential Capture of Sales from Combined Resident Market Areas**  
**Downtown Huntington Beach**  
**In Thousands of 2007 Dollars**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	\$11,245	\$20,216	\$24,942	\$25,374	\$26,113	\$26,875
General Merchandise (drug store)	\$2,306	\$4,721	\$4,795	\$4,941	\$5,193	\$5,457
Furniture/Appliances	\$0	\$10,562	\$12,471	\$12,687	\$13,057	\$13,438
Specialty	\$35,985	\$64,692	\$79,815	\$81,198	\$83,562	\$86,001
Subtotal	\$49,536	\$100,191	\$122,024	\$124,201	\$127,924	\$131,772
<i>Convenience Goods:</i>						
Food Stores	\$27,925	\$34,224	\$43,327	\$44,295	\$45,961	\$47,698
Eating and Drinking	\$31,246	\$55,056	\$66,501	\$67,739	\$69,861	\$72,057
Subtotal	\$59,171	\$89,280	\$109,828	\$112,034	\$115,823	\$119,755

Source: TNDG

**Table A-12**  
**Projected Growth in Visitor Retail/Restaurant Expenditures**  
**Orange County**  
**In Thousands of 2007 Dollars**

*Average Annual Growth Rate:* 2.5%

	2007	2010	2012	2015	2020	2025
<b>Retail Category</b>						
Food Stores	\$210,000	\$226,147	\$237,596	\$255,865	\$289,487	\$327,528
Eating & Drinking	\$2,100,000	\$2,261,470	\$2,375,957	\$2,558,646	\$2,894,873	\$3,275,283
Other Retail	\$1,500,000	\$1,615,336	\$1,697,112	\$1,827,604	\$2,067,767	\$2,339,488
Total	\$3,810,000	\$4,102,953	\$4,310,665	\$4,642,115	\$5,252,127	\$5,942,300

Source: TNDG, based on data published by Dean Runyon Associates.

**Table A-13**  
**Projected Capture of Orange County Visitor Expenditures**  
**Downtown Huntington Beach**  
**In Thousands of 2007 Dollars**

	2007	2010	2012	2015	2020	2025
<b>Capture Rates</b>						
Food Stores	0.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Eating & Drinking	3.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Other Retail	3.0%	5.5%	5.5%	5.5%	5.5%	5.5%
<b>Potential Retail/Restaurant Sales</b>						
Food Stores	\$1,050	\$6,784	\$7,128	\$7,676	\$8,685	\$9,826
Eating & Drinking	\$73,500	\$101,766	\$106,918	\$115,139	\$130,269	\$147,388
Other Retail (1)	\$45,000	\$88,843	\$93,341	\$100,518	\$113,727	\$128,672
Total	\$119,550	\$197,394	\$207,387	\$223,333	\$252,681	\$285,885

(1) Assume 65% is apparel, 5% is general merchandise (drug store), and 30% is specialty.

Source: TNDG, based on data published by Dean Runyon Associates.

**Table A-14**  
**Total Potential Sales (Resident and Visitor Demand Combined)**  
**Downtown Huntington Beach**  
**In Thousands of 2007 Dollars**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	\$40,495	\$77,965	\$85,614	\$90,711	\$100,036	\$110,512
General Merchandise (drug store)	\$4,556	\$9,163	\$9,462	\$9,966	\$10,879	\$11,891
Furniture/Appliances	\$0	\$10,562	\$12,471	\$12,687	\$13,057	\$13,438
Specialty	\$49,485	\$91,345	\$107,818	\$111,354	\$117,680	\$124,603
Subtotal	\$94,536	\$189,035	\$215,365	\$224,719	\$241,651	\$260,444
<i>Convenience Goods:</i>						
Food Stores	\$28,975	\$41,008	\$50,455	\$51,971	\$54,646	\$57,524
Eating and Drinking	\$104,746	\$156,822	\$173,419	\$182,879	\$200,130	\$219,445
Subtotal	\$133,721	\$197,830	\$223,874	\$234,849	\$254,776	\$276,969

Source: TNDG

**Table A-15**  
**Comparison of Potential Demand with Estimated Existing Sales**  
**Downtown Huntington Beach**

<b>Retail Category</b>	<b>2007 Demand (000's)</b>	<b>2007 Sales (000's)</b>	<b>Expected Less Actual</b>	<b>Percent Actual/Expected</b>
<i>Shopper Goods:</i>				
Apparel	\$40,495	\$40,000	\$495	98.78%
General Merchandise (drug store)	\$4,556	\$0	\$4,556	0.00%
Furniture/Appliances	\$0	\$0	\$0	N/A
Specialty	\$49,485	\$20,000	\$29,485	40.42%
Subtotal	\$94,536	\$60,000	\$34,536	63.47%
<i>Convenience Goods:</i>				
Food Stores	\$28,975	\$1,500	\$27,475	5.18%
Eating and Drinking	\$104,746	\$100,000	\$4,746	95.47%
Subtotal	\$133,721	\$101,500	\$32,221	75.90%
Total in relevant categories:	\$228,258	\$161,500	\$66,758	70.75%

Source: TNDG, based on sales tax data provided by HdL Companies.



**Table A-16**  
**Net Supportable Retail Sales**  
**Downtown Huntington Beach Retail Trade Area**  
**In Thousands of 2007 Dollars**

<b>Retail Category</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<i>Shopper Goods:</i>						
Apparel	\$495	\$37,965	\$45,614	\$50,711	\$60,036	\$70,512
General Merchandise (drug store)	\$4,556	\$9,163	\$9,462	\$9,966	\$10,879	\$11,891
Furniture/Appliances	\$0	\$10,562	\$12,471	\$12,687	\$13,057	\$13,438
Specialty	\$29,485	\$71,345	\$87,818	\$91,354	\$97,680	\$104,603
Subtotal	\$34,536	\$129,035	\$155,365	\$164,719	\$181,651	\$200,444
<i>Convenience Goods:</i>						
Food Stores	\$27,475	\$39,508	\$48,955	\$50,471	\$53,146	\$56,024
Eating and Drinking	\$4,746	\$56,822	\$73,419	\$82,879	\$100,130	\$119,445
Subtotal	\$32,221	\$96,330	\$122,374	\$133,349	\$153,276	\$175,469
Total in relevant categories:	\$66,758	\$225,365	\$277,739	\$298,068	\$334,928	\$375,913

Source: TNDG

**Table A-17**  
**Net Supportable Retail Space for Relevant Categories**  
**Downtown Huntington Beach Retail Trade Area**  
**Expressed in Sales/Square Feet**

<b>Retail Category</b>	<b>Sales/ Square Feet</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
Apparel	\$500	75,929	91,228	101,423	120,072	141,024
General Merchandise (drug store)	\$400	22,908	23,656	24,916	27,197	29,728
Furniture/Appliances	\$500	21,124	24,942	25,374	26,113	26,875
Specialty/Other	\$500	142,690	175,635	182,708	195,360	209,205
Food Stores	\$600	65,847	81,591	84,118	88,577	93,373
Eating/Drinking	\$500	9,492	113,644	146,838	165,757	200,261
Services Space @ 10% of Retail	N/A	33,799	51,070	56,538	62,308	70,047
Allowance for standard vacancy @ 5%	N/A	19,568	29,567	32,732	36,073	40,553
<b>GRAND TOTAL</b>		<b>391,357</b>	<b>591,333</b>	<b>654,647</b>	<b>721,456</b>	<b>811,067</b>

Source: TNDG

**Table A-18**  
**Breakdown of Supportable Retail Space by Resident and Visitor Components**  
**Downtown Huntington Beach Retail Trade Area**  
**Expressed in Sales/Square Feet**

Retail Category	Net Demand in 2012			Net Demand in 2025		
	Resident Supported	Visitor Supported	Total	Resident Supported	Visitor Supported	Total
Apparel	26,578	64,650	91,228	34,296	106,729	141,024
General Merchandise (drug store)	11,988	11,668	23,656	13,644	16,084	29,728
Furniture/Appliances	24,942	-	24,942	26,875	-	26,875
Specialty/Other	130,019	45,616	175,635	144,394	64,811	209,205
Food Stores	70,065	11,527	81,591	77,424	15,949	93,373
Eating/Drinking	43,579	70,065	113,644	65,758	134,503	200,261
Services Space	30,717	20,353	51,070	36,239	33,808	70,047
Allowance for standard vacancy	17,784	11,783	29,567	20,981	19,573	40,553
<b>GRAND TOTAL</b>	<b>355,672</b>	<b>235,661</b>	<b>591,333</b>	<b>419,610</b>	<b>391,456</b>	<b>811,067</b>

Source: TNDG

## **APPENDIX B**

### **ESTIMATE OF CURRENT “LEAKAGE” OF CITYWIDE RESIDENT RETAIL DEMAND**

**Table B-1**  
**Estimate of Resident Retail Demand in 2006**

Total Households	76,311
Average Household Income	\$115,177
Aggregate Household Income (000's)	\$8,789,268
Percent of Income Spent on Retail	33%
 Total Resident Retail Demand (000's)	 \$2,900,459

Source: Claritas; California State Department of Finance; TNDG.

**Table B-2**  
**Estimated Demand by Retail Category**

<i>Shopper Goods:</i>		
Apparel	5%	\$145,023
General Merchandise	13%	\$377,060
Home Furnishings	5%	\$145,023
Specialty	16%	\$464,073
Subtotal	39%	\$1,131,179
 <i>Convenience Goods:</i>		
Food Stores	16%	\$464,073
Eating and Drinking	12%	\$348,055
Subtotal	28%	\$812,128
 <i>Heavy Commercial Goods:</i>		
Building/ Hardware/ Farm	7%	\$203,032
Auto Dealers and Parts	18%	\$522,083
Service Stations	8%	\$232,037
Subtotal	33%	\$957,151
 Total	 100%	 \$2,900,459

Source: TNDG, based on historic trends for Orange County reported by State Board of Equalization.

**Table B-3**  
**Actual Sales in 2006 (000's)**

	<b>Total</b>	<b>Visitor Expenditures</b>	<b>Adjusted Total</b>
<i>Shopper Goods:</i>			
Apparel	\$110,818	\$25,500	\$85,318
General Merchandise	\$213,964	n/a	\$213,964
Home Furnishings	\$107,385	n/a	\$107,385
Specialty	\$358,599	\$25,500	\$333,099
Subtotal	<u>\$790,766</u>	<u>\$51,000</u>	<u>\$739,766</u>
<i>Convenience Goods:</i>			
Food Stores	\$462,756	\$7,000	\$455,756
Eating and Drinking	\$302,294	\$72,000	\$230,294
Subtotal	<u>\$765,050</u>	<u>\$79,000</u>	<u>\$686,050</u>
<i>Heavy Commercial Goods:</i>			
Building/ Hardware/ Farm	\$266,383	n/a	\$266,383
Auto Dealers and Parts	\$439,957	n/a	\$439,957
Service Stations	\$207,894	n/a	\$207,894
Subtotal	<u>\$914,234</u>	<u>n/a</u>	<u>\$914,234</u>
 Total	 \$2,470,050	 \$130,000	 \$2,340,050

Source: SBOE; visitor expenditures estimated by TNDG based on Dean Runyon Associates data.

**Table B-4**  
**Comparison of Non-Visitor Expenditures to Estimated Resident Demand**

	<b>Adjusted 2006 Sales</b>	<b>2006 Resident Demand</b>	<b>Expected Less Actual</b>	<b>Percent Actual/Expected</b>
<i>Shopper Goods:</i>				
Apparel	\$85,318	\$145,023	\$59,705	59%
General Merchandise	\$213,964	\$377,060	\$163,096	57%
Home Furnishings	\$107,385	\$145,023	\$37,638	74%
Specialty	\$333,099	\$464,073	\$130,974	72%
Subtotal	\$739,766	\$1,131,179		65%
<i>Convenience Goods:</i>				
Food Stores	\$455,756	\$464,073	\$8,317	98%
Eating and Drinking	\$230,294	\$348,055	\$117,761	66%
Subtotal	\$686,050	\$812,128		84%
<i>Heavy Commercial Goods:</i>				
Building/ Hardware/ Farm	\$266,383	\$203,032	(\$63,351)	131%
Auto Dealers and Parts	\$439,957	\$522,083	\$82,126	84%
Service Stations	\$207,894	\$232,037	\$24,143	90%
Subtotal	\$914,234	\$957,151		96%
Total	\$2,340,050	\$2,900,459		81%

Source: TNDG.

**APPENDIX C**

**REDEVELOPMENT PROTOTYPES**



**Table C-1**  
**Summary of Pro Forma Analysis**  
**Redevelopment Prototypes**  
**Downtown Huntington Beach Specific Plan**

	Prototype 2	Prototype 1	Prototype 3	Hotel
<b>Scenario Inputs</b>				
Land area, acres	0.8640	0.3870	1.0690	1.6350
FAR (input)	2.1000	2.0000	1.9542	2.0000
Allocation of use, % retail	55.0%	48.5%	16.5%	
Allocation of use, % restaurant	13.0%	34.0%	2.8%	
Allocation of use, % office	0.0%	0.0%	24.7%	
Allocation of use, % apartments	0.0%	0.0%	0.0%	
Allocation of use, % condominiums	32.0%	0.0%	56.0%	
Allocation of use, % hotel				100.0%
Allocation of use, % B&B (if used, val+17.5%)	0.0%	17.5%	0.0%	0.0%
Percent total	100.0%	100.0%	100.0%	100.0%
Parking spaces per residential unit				
Offsite parking for retail/restaurant/office space	70.0%	90.0%	0.0%	
<b>Scenario Outputs</b>				
Total developed square feet	79,035	33,715	90,999	142,441
Retail SF	43,469	16,352	15,015	
Restaurant SF	10,275	11,463	2,548	
Office SF	0	0	22,477	
Apartment SF	0	0	0	
Condominium SF	25,291	0	50,960	
Hotel SF				142,441
B&B SF	0	5,900	0	0
No. apartment units	0	0	0	
No. condominium units	28	0	57	
No. hotel rooms		9		237
<b>Total Development Costs</b>				
Land cost per square foot (input)	\$200	\$200	\$200	\$200
Total land/demolition cost	\$7,527,168	\$3,371,544	\$9,313,128	\$14,244,120
<i>Total hard/soft costs by land use</i>				
Retail	\$8,698,226	\$3,272,033	\$3,004,478	\$0
Restaurant	\$2,214,173	\$2,470,330	\$549,090	\$0
Office	\$0	\$0	\$3,888,491	\$0
Apartments	\$0	\$0	\$0	\$0
Condominiums	\$6,384,785	\$0	\$12,864,753	\$0
Hotel	\$0	\$0	\$0	\$36,037,624
B&B		\$1,345,246		
Parking	\$6,951,138	\$2,835,470	\$9,297,080	\$6,517,872
Total Land/Development Cost	\$31,775,490	\$13,294,623	\$38,917,019	\$56,799,616
<i>Value based on cap rates, by use</i>				
Retail	\$16,810,618	\$6,323,691	\$5,806,602	\$0
Restaurant	\$6,069,908	\$6,772,135	\$1,505,268	\$0
Office	\$0	\$0	\$10,249,433	\$0
Apartments	\$0	\$0	\$0	\$0
Condominiums	\$13,657,294	\$0	\$27,518,187	\$0
Hotel	\$0	\$0	\$0	\$70,928,634
B&B		\$2,198,051		
Total Value	\$36,537,820	\$15,293,878	\$45,079,490	\$70,928,634
Gross Profit Margin	14.99%	15.04%	15.83%	24.88%

**Table C-2**  
**Construction Cost Factors**  
**Redevelopment Prototypes**  
**Downtown Huntington Beach Specific Plan**

	<b>Hard Costs</b>	<b>Soft Costs</b>	<b>T.I. Costs</b>	<b>Demo Costs</b>	<b>Total Total</b>
Retail (per SF)	\$126.50	\$50.60	\$20.00	\$3.00	\$200.10
Restaurant (per SF)	\$137.50	\$55.00	\$20.00	\$3.00	\$215.50
Office (per SF)	\$100.00	\$40.00	\$30.00	\$3.00	\$173.00
Apartments (per SF)	\$176.00	\$61.60			\$237.60
Condos (per SF)	\$187.00	\$65.45			\$252.45
Hotel (per SF)	\$176.00	\$44.00	\$30.00	\$3.00	\$253.00
B&B (per SF)	\$155.00	\$40.00	\$30.00	\$3.00	\$228.00
Parking ( per space)	\$32,300.00				\$32,300.00
In-lieu parking fee/space	\$16,000.00				\$16,000.00

<b>Total Cost - Mix #2</b>		
	<u><b>Buildings</b></u>	<u><b>Parking</b></u>
Retail	8,698,226	2,724,499
Restaurant	2,214,173	2,146,361
Office	-	-
Apartments	-	-
Condos	6,384,785	2,042,271
Hotel	-	-
Parking	<u>6,951,138</u>	
Total	24,248,322	

<b>Total Cost - Mix #3</b>		
	<u><b>Buildings</b></u>	<u><b>Parking</b></u>
Retail	3,004,478	1,455,088
Restaurant	549,090	822,998
Office	3,888,491	2,904,006
Apartments	-	-
Condos	12,864,753	4,114,988
Hotel	-	-
Parking	<u>9,297,080</u>	
Total	29,603,891	

<b>Total Cost - Mix #1</b>		
	<u><b>Buildings</b></u>	<u><b>Parking</b></u>
Retail	3,272,033	864,943
Restaurant	2,470,330	2,020,971
Office	-	-
Apartments	-	-
Condos	-	-
Hotel	-	-
B&B	1,345,246	163,013
Parking	<u>2,835,470</u>	
Total	9,923,079	

<b>Total Cost - Hotel</b>		
	<u><b>Buildings</b></u>	<u><b>Parking</b></u>
Retail	-	
Restaurant	-	
Office	-	
Apartments	-	
Condos	-	
Hotel	36,037,624	
Parking	<u>6,517,872</u>	6,517,872
Total	42,555,496	

**Table C-3**  
**Calculation of Net Annual Revenue & Total Development Value**  
**Redevelopment Prototypes**  
**Downtown Huntington Beach Specific Plan**

**Annual Revenue per Square Foot:**

	<b>Gross</b>	<b>NOI as %</b>	<b>Net</b>
Retail	\$36.00	69.8%	\$25.14
Restaurant	\$48.00	80.0%	\$38.40
Office	\$36.00	76.0%	\$27.36
Apartments	\$24.00	59.9%	\$14.36
Condos	\$600.00	90.0%	\$540.00
Hotel *	\$152.08	25.4%	\$38.59
B&B **	\$139.19	22.8%	\$31.67

	<b>SF</b>	<b>Net Rev</b>	<b>Cap Rate</b>	<b>Value</b>
Total Rev - Mix #2				
Retail	43,469	\$1,092,690	6.50%	\$16,810,618
Restaurant	10,275	\$394,544	6.50%	\$6,069,908
Office	-	\$0	6.00%	\$0
Apartments	-	\$0	6.00%	\$0
Condos	25,291	\$13,657,294	n/a	\$13,657,294
Hotel	-	\$0	7.75%	\$0

	<b>SF</b>	<b>Net Rev</b>	<b>Cap Rate</b>	<b>Value</b>
Total Rev - Mix #3				
Retail	15,015	\$377,429	6.50%	\$5,806,602
Restaurant	2,548	\$97,842	6.50%	\$1,505,268
Office	22,477	\$614,966	6.00%	\$10,249,433
Apartments	-	\$0	6.00%	\$0
Condos	50,960	\$27,518,187	n/a	\$27,518,187
Hotel	-	\$0	7.75%	\$0

	<b>SF</b>	<b>Net Rev</b>	<b>Cap Rate</b>	<b>Value</b>
Total Rev - Mix #1				
Retail	16,352	\$411,040	6.50%	\$6,323,691
Restaurant	11,463	\$440,189	6.50%	\$6,772,135
Office	-	\$0	6.00%	\$0
Apartments	-	\$0	6.00%	\$0
Condos	-	\$0	n/a	\$0
Hotel	-	\$0	7.75%	\$0
B&B	5,900	\$186,834	8.50%	\$2,198,051

	<b>SF</b>	<b>Net Rev</b>	<b>Cap Rate</b>	<b>Value</b>
Total Rev - Hotel				
Retail	-	\$0	6.50%	\$0
Restaurant	-	\$0	6.50%	\$0
Office	-	\$0	6.00%	\$0
Apartments	-	\$0	6.00%	\$0
Condos	-	\$0	n/a	\$0
Hotel	142,441	\$5,496,969	7.75%	\$70,928,634

\* Reflects an average daily room rate of \$250 and an average room size of 600 square feet; NOI factor reflects 72.5% occupancy and standard operating cost ratio.

\* Reflects an average daily room rate of \$250 and an average room size of 655 square feet; NOI factor reflects 65% occupancy and standard operating cost ratio.